DekaBank Group
Annual Report 2012

Transformation

Olympia Partner Deutschland

Finanzgruppe

DekaBank

In financial year 2012, we launched the process for developing DekaBank from being the central asset manager to becoming the fully-fledged securities service provider of the savings banks. Our intention is to be a full-service provider for all securities-related business, which will strengthen the range of products and services of the Sparkassen-Finanzgruppe in this key segment. Together we will achieve more – enhanced quality, higher performance and a better service for our customers.

DekaBank Group
Annual Report 2012

implies
motion

Olympia Partner Deutschland

Finanzgruppe

DekaBank

DekaBank Group at a glance

Business development indicators		31.12.2012	31.12.2011	Change %
Total assets	€m	129,744	133,738	–3.0
Assets under Management (AMK and AMI)	€m	158,339	150,995	4.9
of which: Asset Management Capital Markets (AMK)	€m	133,101	126,895	4.9
of which: Asset Management Property (AMI)	€m	25,238	24,100	4.7
Number of securities accounts	thousand	4,149	4,382	–5.3
		1.1.–31.12.2012	**1.1.–31.12.2011**	
Net sales (AMK and AMI)	€m	–231	–5,861	96.1
of which: Asset Management Capital Markets (AMK)	€m	–1,815	–6,826	73.4
of which: Asset Management Property (AMI)	€m	1,584	965	64.1
Performance indicators				
Total income	€m	1,434.4	1,301.6	10.2
of which: Net interest income	€m	431.1	371.1	16.2
of which: Net commission income	€m	946.1	976.7	–3.1
Total expenses	€m	915.1	918.5	–0.4
of which: Administrative expenses (incl. depreciation)	€m	906.5	917.7	–1.2
Economic result	€m	519.3	383.1	35.6
Net income before tax	€m	442.9	376.6	17.6
Key ratios				
Return on equity [1]	%	15.6	9.3	6.3%-points
Cost/income ratio [2]	%	55.6	64.7	–9.1%-points
Key regulatory figures		**31.12.2012**	**31.12.2011**	
Capital and reserves	€m	3,836	3,923	–2.2
Core capital ratio	%	14.0	11.6	2.4%-points
Core tier 1 capital ratio [3]	%	11.6	9.4	2.2%-points
Equity ratio	%	16.2	15.6	0.6%-points
Risk ratios				
Total risk-bearing capacity	€m	5,118	4,694	9.0
Group risk (value-at-risk) [4]	€m	2,345	2,660	–11.8
Utilisation of risk-bearing capacity	%	45.8	56.7	–10.9%-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		4,040	3,957	2.1
Average number of positions occupied		3,541	3,431	3.2

[1] Return on equity (RoE before tax) corresponds to the economic result divided by equity at the start of the financial year. Including atypical silent capital contributions.
[2] Cost/income ratio (CIR) corresponds to the ratio resulting from total expenses (excluding restructuring expenses) and total income (before 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.

Only those who evolve can make a difference. For DekaBank, this means that we all need to be willing to adopt changes and show determination in implementing them. To achieve this, we will consistently expand the services we provide in sales, capital market business and asset management. In this, our activities always centre on the savings banks and their customers.

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Foreword of the Board of Management

Dr. Matthias Danne | **Oliver Behrens** | **Dr. h. c. Friedrich Oelrich** | **Michael Rüdiger** | **Dr. Georg Stocker**

Dear Shareholders and Investors,

2012 was a successful year for DekaBank, and an extraordinary one as well. It was successful, because the Bank increased its economic result by more than a third to almost €520m under difficult market conditions. And it was extraordinary, because we started the strategic development process for evolving from asset manager into the fully-fledged securities service provider of the savings banks. The goal is clearly defined: At the end of this fundamental transformation process, DekaBank will be the full-service provider for all securities-related businesses of the savings banks.

The path to accomplishing this transformation requires a willingness to change – and determination in its implementation. With a new membership structure, the Board of Management is committed to this transformation, as are the managers and employees at all levels within DekaBank. The following applies to us all: Transformation implies motion – in sales as well as in product development, fund management, trading and lending. We will act as one team and together build the securities service provider of the savings banks – always bearing in mind the requirements of our customers.

To achieve this, we rely on close cooperation with our shareholders and exclusive sales partners, the savings banks. We are an integral member of the *Sparkassen-Finanzgruppe* and fully identify with its aims and values. The process to become a fully-fledged securities service provider, which was defined last year, is the logical consequence of the change in our shareholder structure. At the same time, it reflects our chosen role of being "100% savings bank" and it is fully supported by the Administrative Board and the *Sparkassen-Finanzgruppe*.

As a fully-fledged securities service provider, we intend to help expand the savings banks' strong market position on the basis of a comprehensive repositioning in securities business. The overriding aim is to provide the required individual advice to savings bank customers and offer precisely tailored products for their investments. This includes high-yield and property-oriented securities investments – particularly in an environment of historically low interest rates.

We are the savings banks' partner in retail business, offering a selected product range, targeted on-site sales support, a comprehensive service spectrum and excellent research, tailored to the needs of the decision-makers in the individual financial institutions. All of these services are seamlessly integrated into the reorganised advisory process of the *Sparkassen-Finanzgruppe*. We are confident that after the few years in which fund sales were weak and net commission income declined, we will reverse the negative trend.

On the product side, our approach is based on two aspects. The aim is to further enhance product quality and provide an even wider choice by enlarging the product range to include retail certificates, which were launched as scheduled in January 2013. Investors value the quality and high rating of DekaBank as an issuer and the savings banks appreciate the added value. With the planned acquisition of the customer-focused capital market business of Landesbank Berlin and of LBB Invest, we are pooling an even broader array of products under the roof of the fully-fledged securities service provider.

We will also be expanding our services for the savings banks as institutional customers. DekaBank is enlarging its range of Depot-A (A securities account) products and acts as a highly efficient liquidity centre with links to clearing houses. This helps institutional investors comply fully with both currently applicable and imminent new regulatory requirements. We see the fact that many savings banks were already using our clearing services by the end of 2012 as confirmation that we are on the right track.

The Bank's transformation to becoming a fully-fledged securities service provider did not start from scratch, neither in retail nor in institutional business. In the almost two years which have passed since the full transfer of ownership to the savings banks, DekaBank has sharpened its profile and further developed its business model. The integration of investment fund business and customer-oriented capital market activities remains a key strength of the Bank, and one on which we will continue to rely in the future. On the basis of this integration, DekaBank generated a 12% increase in its added value contribution to the savings banks in the reporting year. In addition, DekaBank achieved the first solid increase in net sales for a long time in the fourth quarter of 2012. The core tier 1 capital ratio climbed to 11.6% while the utilisation rate of the risk-bearing capacity dropped considerably.

In 2013 and in the subsequent financial years, the further development and movement will be the dominant factors. Our intention is to accomplish the transformation process using our own resources. This requires stringent cost management, with every euro we invest in our positioning as a fully-fledged securities service provider saved elsewhere.

The securities service provider of the savings banks will increasingly take shape in the coming months and years. It will be a stable, modern and transparent financial institution built on the soundest foundation imaginable – our firm anchoring in the *Sparkassen-Finanzgruppe*.

Sincerely,

Michael Rüdiger

Oliver Behrens

Dr. Matthias Danne

Dr. h. c. Friedrich Oelrich

Dr. Georg Stocker

The Board of Management of DekaBank

Michael Rüdiger
Chief Executive Officer
Michael Rüdiger (49) has been DekaBank's CEO since 1 November 2012. His responsibilities at DekaBank encompass strategy, communications and several head office departments. After various management positions within the Credit Suisse Group, the graduate in business economics was appointed CEO for Central Europe as well as Chairman of the Supervisory Board of Credit Suisse (Deutschland) AG and Chairman of the Board of Directors of Credit Suisse (Luxembourg) S.A. Previously, he was a Management Board member of Schweizerische Bankgesellschaft (Deutschland) AG and a member of the management team of Allianz Asset Management GmbH.

Oliver Behrens
Deputy Chief Executive Officer
Oliver Behrens (49) has been on DekaBank's Board of Management since 1 January 2007 and was the Board's acting Chairman in the period from 2 April to 31 October 2012. He is responsible for the Asset Management Capital Markets business division and trading. Before joining DekaBank, Oliver Behrens was the spokesman for the management teams of Deutsche Asset Management Investment and Deutsche Asset Management International as well as Managing Director, Administrative Board member and spokesman of DWS Luxembourg.

Dr. h. c. Friedrich Oelrich
Member of the Board of Management
Dr. h. c. Friedrich Oelrich (55) joined DekaBank's Board of Management on 1 January 2001. The graduate in business economics with a diploma specialising in savings banks is responsible for the IT/Organisation, Group Risk and Credit Risk Management units and is also the Group Chief Operating Officer (COO). Prior to his appointment to the Board of Management of DekaBank, Dr. h. c. Oelrich worked at Bayerische Landesbank, with his last position there being Head of the Marketing and Controlling department as well as spokesman for the management team of the Savings banks division.

Dr. Matthias Danne
Member of the Board of Management
Dr. Matthias Danne (53) was appointed to DekaBank's Board of Management on 1 July 2006. He is responsible for lending business and the Asset Management Property business division. Since April 2011, his responsibilities have additionally included the Finance Corporate Centre. Prior to joining DekaBank, Dr. Danne held various management posts at Rheinhyp. He subsequently was a member of the Management Boards of BHW Holding AG, Allgemeine Hypothekenbank Rheinboden AG and Eurohypo AG.

Dr. Georg Stocker
Member of the Board of Management
In his capacity as DekaBank Board of Management member, Dr. Georg Stocker (48) has been responsible for Savings Banks Sales and Marketing/Sales Management since 1 August 2012. He previously was the spokesman for the divisional management of Institutional and Business Sales at DekaBank from 2002 to 2004. Dr. Stocker then joined Frankfurter Sparkasse as a member of its Management Board and became the Deputy Chairman of the Frankfurter Sparkasse Management Board in 2009.


Interest rate low
+ inflation expectations
=> focus on real yield!
Fondssparen.

Supporting professional branch-based advice …

The art of investment advice lies in understanding the needs of customers and illustrating their options for leveraging the capital markets. "We explain connections they may not have noticed as such before," says Tobias Leu, Director of Sales Management at Kreissparkasse Heilbronn. Making the right investment decision is then just one small step away.


Interest rate low
+ inflation expectations
=> focus on real
yield!

... with fresh ideas

DekaBank Sales Director, Dominik Schardt, supports advisers at Kreissparkasse Heilbronn by providing fresh ideas and furthering their knowledge of the capital market at the same time. The sales specialist is convinced that "in a good consultation session, the overall economic situation is so well explained that the consequences for private financial investment are self-evident."

Advisers who not only understand their craft, but also the individual needs of their customers have always been a hallmark of the savings banks. But providing good advice is becoming more challenging for two reasons. On the one hand, the legal requirements governing the provision of information and documentation are becoming more stringent, and on the other, there is a growing price awareness and need for security on the part of customers. The savings banks are actively rising to this challenge. As quality is the key to success, the *Sparkassen-Finanzgruppe* believes in first rate investment advice, especially in the securities business. DekaBank actively supports this approach, not only with the right products and appropriate IT solutions, but also with targeted training, which it provides exactly where it's needed: at the interface with the savings bank customers.

The measures include the use of Deka Sales Directors for instance, who were seconded to selected savings banks in 2012. Kreissparkasse Heilbronn was one of the first banks to receive the support of a Sales Director and Dominik Schardt has been their in-house Deka man since February 2012. "The support he provides has already helped us make notable progress in the area of investment advice. His expertise allows him to provide completely fresh ideas, which have been well received by the advisers," emphasises Tobias Leu, Director of Sales Management. Kreissparkasse Heilbronn therefore sees itself on the right path. Improved service, more activity and higher quality advice all ultimately result in a growing confidence among investors. "People are more open again to the idea of investing in securities. And we can also see that in the sales figures," explains Leu. Savings plans, in particular, saw significantly stronger demand again in 2012 – the first time in five years. Such a trend reversal has a motivating impact.

This success is the result of an extensive exchange. Schardt is often on the road throughout the region, meeting with the advisers in Kreissparkasse Heilbronn's 107 branches. In total, the savings bank employs about 270 customer advisers for the private customer and investment advising segments.

"I see myself as a trainer to the savings bank advisers and believe it is important to work in partnership together."

Dominik Schardt, DekaBank Sales Director at Kreissparkasse Heilbronn since February 2012

What's the best way to explain the benefits of Deka-Basis-Anlage? What can we learn from the last customer meeting? Schardt discusses these and similar questions with the advisers. In this respect, the DekaBank Sales Director sees himself as a trainer. "The advisers decide themselves whether they want me to attend the meeting with the customer, or would prefer to talk it through with me afterwards," he says. Schardt has already had at least three meetings with each adviser, and this frequent level of contact, coupled with a cooperative attitude, means that he has been very well accepted. "We see him as 'Deka's savings banker'," confirms Sales Manager Leu.

Closer link with DekaBank and its products

To supplement the one-on-one meetings with advisers, Schardt offers regular information evenings on issues related to specialist areas and methods. The response has been pleasing, emphasises Leu, with advisers feeling an even closer link with DekaBank and its products than before. "Ideally we would like to have Dominik Schardt with us on a permanent basis," Leu adds.

That is why there is an even greater incentive for the savings bank to have some of its own advisers be able to take over Schardt's duties in the future. After all, he will be moving on to another savings bank in the next few months. The Heilbronn savings bank has therefore chosen to take part in Deka-Patenschmiede (Deka mentoring scheme), which was launched nationwide in close cooperation with the regional savings banks academies in 2012. The philosophy behind the scheme is represented by three aspects: values, knowledge and action. "Values" here stand for the advisers' inner conviction that their professional investment advice is providing effective support to their customers with respect to long-term asset accumulation. Only when this belief has been internalised can expert knowledge and sales arguments be conveyed. Ultimately it's about putting what has been learned into practice and achieving the desired successful outcome.

To share methods and specialist expertise on a broad basis, the Deka mentoring scheme uses the principle of peer-to-peer training: the participants not only gain specialist qualifications, but also learn how to best convey their newly acquired knowledge to their colleagues. As Christian Schaaf, Head of Sales Training at DekaBank, explains, this ensures that a very large number of advisers within the *Sparkassen-Finanzgruppe* are able to benefit from the programme. It is thus a particularly efficient way of embedding the new positioning in the securities business in all of the branches of the savings banks network. But Deka's mentoring scheme also offers another additional benefit: by participating, the savings banks are taking account of the new regulatory requirements. These specify that only employees with "special expertise" are allowed to provide investment advice, a requirement which has been stipulated by the German Federal Financial Supervisory Authority (BaFin) since 2013.

The programme is modular, giving every savings bank the opportunity to incorporate the mentoring scheme into their own continued professional development and training offering. The basic training as a "Deka investment mentor" comprises two modules of three days each and concludes with a certification day. Various additional specialist training sessions can be booked as accompanying or refresher courses, with training on topics such as "fund-selling starts in your mind" or "the art of implementing good intentions on a lasting basis". The programme is rounded out by topic-based training, for example on Deka-BasisAnlage, or on how to clearly communicate macroeconomic principles and capital market knowledge during customer consultation sessions.

Impressive mentoring scheme with practical training content

At Kreissparkasse Heilbronn, two DekaBank trainers are currently training a total of 33 employees as Deka investment mentors. For the advisers, involvement in the mentoring scheme is recognition of their sales success and their image and acceptance among their colleagues. "An affinity for the securities business and the ability and enjoyment in working with new technologies were also factors that significantly influenced the selection," stresses Leu. That is important because the future Deka mentors work primarily with iPads, not only to further their specialist knowledge, but also for talks and presentations.

"The first module was very well received by the participants," reports Leu, and the training content is optimally tailored to the practical requirements in day-to-day business. The Deka mentors of the future are supposed to use the time until the next module to share their newly acquired or more in-depth knowledge with their colleagues – putting the peer-to-peer training principle into practice. Participants have to demonstrate that they have spent a total of 24 hours passing on information and expertise before they receive their certificates as Deka mentors after the closing workshop in October 2013. "And latest by then, we will be ready to let our Deka man move on – even if we don't want him to," Sales Manager Leu sums up.

„Quality is the best argument"

Three questions for Thomas Geiß,
Head of Sales Management

Mr. Geiß, although many other types of investment are hardly generating any returns, private investors are still holding back when it comes to securities. Why is that?

There are still many investors who do not want to invest in securities because they worry about prices falling, and they would rather forego the return. On top of this, there has been a huge increase in the regulatory requirements applying to investment advice in the past few years. The high administrative burden involved now represents a real barrier to the sale of securities. Many consultation sessions therefore result in the sale of savings products because they are more straightforward to explain.

What can be done to counter this?

As always, quality is still the best argument and this is true for both the products and the advice process. This is why the savings banks are currently implementing a new investment and advisory process, which will ease the burden on advisers and at the same time assist them in recommending even more tailored products. Securities products will consequently become more important, and not just because of the persistently low interest rates and yields.

And what part does DekaBank play?

We have accompanied the savings banks in this process to realign their securities business from the start. As part of the DSGV project, we were closely involved in the development of the new investment and advisory process and have adjusted our internal processes and range of products and services in line with the new requirements. We have not yet reached our goal and are continuing to develop and optimise our cooperation. We are on the right track to make a strong return to the market.

Group management report 2012

The DekaBank Group ended financial year 2012 with a significant rise in the economic result as well as a higher added value contribution for the savings banks. Net interest income and net financial income increased, while net commission income came close to the previous year's level, partly as a result of improved net sales. With its successful product and sales initiatives, DekaBank is anchored even more firmly in the *Sparkassen-Finanzgruppe*.

Group management report

At a glance

Despite difficult economic conditions overall for the fund and capital market business, the DekaBank Group increased its economic result in 2012 by 35.6% to €519.3m, once again proving the strength of its business model. Although the sales situation remained unfavourable in asset management, net commission income was just 3% shy of the previous year's figure and exceeded the forecast. The modest decrease was countered by a pleasing increase in net interest income and net financial income. This growth was mainly attributable to the positive trend in our securities business with customers as well as the high level of demand from the savings banks and other institutional customers for liquidity and structured products. Total risk provisions were at the previous year's level and related almost entirely to the lending business. Unlike the previous year, no impairment of securities was required.

The added value contribution of DekaBank to the savings banks, which comprises the economic result and payments to the alliance partners, rose by approximately 12% to €1.3bn.

Net sales improved considerably in the course of the year and were clearly in the positive range in the second half of 2012. However, year-on-year, it remained in the negative range and therefore fell short of expectations.

The measures taken to integrate DekaBank into the investment process of the savings banks were consistently advanced in cooperation with the German Savings Banks and Giro Association (DSGV), the regional savings banks and giro associations and the savings banks. The greater support for advisers due to a broader range of available information, training and courses as well as the on-site presence of experienced sales executives has already had a positive impact on the participating savings banks. In terms of products, the focus was on the launch of Deka-BasisAnlage (Deka Basic Investment), which followed the successful start of Deka-Vermögenskonzept (Deka Wealth Concept) in the previous year and also supports the all-encompassing advisory approach. With the flagship products and stepped up sales efforts, DekaBank is even more firmly anchored in the *Sparkassen-Finanzgruppe*.

These campaigns culminated in the comprehensive D18 transformation programme towards the end of the year. Under this programme, DekaBank will gradually be transformed and expanded into a full-service provider for all securities-related business. The transformation process that was launched will ensure a sharper focus on the savings banks in all areas of the Bank: in production, sales, processing and in the corporate centres. The product range will be expanded to include the retail certificate business, which will be rolled out on a broad basis in 2013. Capital market business will also be tailored more precisely to customer requirements. This will be associated with strict management of risk assets. Regardless of the investment in the transformation programme, DekaBank intends to reduce administrative expenses as compared with the 2012 level through stringent cost management over the next few years, with the aim of achieving satisfactory economic results once again.

The core tier 1 capital ratio of the DekaBank Group amounted to 11.6% at year-end compared with 9.4% at the end of the previous year. In addition to the reinvestment of 2011 profit, the reduction in risk assets also impacted on the ratio. This was accompanied by a marked decrease in the utilisation of the overall risk-bearing capacity. Both also contributed to maintaining the Bank's strong ratings without qualification.

However, the core tier 1 capital ratio must be seen against the backdrop of the Basel III regulations that are yet to be implemented as well as other imminent new regulations. The implementation of Basel III alone will perceptibly reduce the ratio again. It is our declared aim to achieve a core tier 1 capital ratio of 12% by 2015. We will consistently pursue this goal, although it remains ambitious even in light of the pleasing year-end 2012 figure.

The transformation and expansion of DekaBank into the fully-fledged securities service provider of the savings banks is based on sound foundations.

Profile and strategy of the DekaBank Group

DekaBank is the central asset manager of the *Sparkassen-Finanzgruppe*. The aim is to transform and expand DekaBank into a full-service provider for all securities-related business. On 12 September 2012, the Administrative Board created the necessary prerequisites for achieving this goal.

Legal structure and corporate governance

DekaBank is a German institution incorporated under public law with registered offices in Frankfurt/Main and Berlin. DekaBank is wholly owned by the German savings banks. 50% of the shares are held via Deka Erwerbsgesellschaft mbH & Co. KG. The savings banks have pooled their shares in Deka Erwerbsgesellschaft mbH & Co. KG via the regional savings banks and giro associations affiliated with them. The other 50% of the shares are held by the German Savings Banks and Giro Association (DSGV ö. K.).

The DekaBank Group strictly adheres to the principles of good and responsible corporate management. The corporate governance concept for the management and supervision of the Group defines clear and distinct responsibilities for boards and committees and enables an efficient and streamlined decision-making process. As a member of the *Sparkassen-Finanzgruppe*, DekaBank is committed to the principles of subsidiarity and a focus on the greater good. They form the basis of the code of ethics, which provides binding guidelines for the actions of the corporate bodies and employees. It represents the basic structure of the DekaBank Group's corporate culture that complies with the law, is open, transparent and aimed at adding value.

DekaBank is jointly managed by the Board of Management, which comprises five members. With effect from 1 November 2012, the Administrative Board appointed Michael Rüdiger as the new CEO. At the same time, Oliver Behrens, who had been the acting Chairman of the Board of Management since Franz S. Waas stepped down on 2 April 2012, was appointed Deputy CEO, a newly created post. He is responsible for the Asset Management Capital Markets (AMK) business division and also for the Markets sub-division within Corporates & Markets (C&M), and is thus in charge of DekaBank's capital market based products. With effect from 1 August 2012, Dr. Georg Stocker took over responsibility for Savings Banks Sales in his capacity as a new member of the Board of Management. He succeeded Hans-Jürgen Gutenberger in this role, who retired on 31 July 2012. CFO Dr. Matthias Danne, who is also responsible for the Asset Management Property (AMI) business division and the two C&M sub-divisions Credits and Treasury, and Dr. h. c. Friedrich Oelrich, CRO, continue to be members of DekaBank's Board of Management. In January 2013, the Administrative Board appointed Martin K. Müller as a further member of the Board of Management. As a result, a change in the division of responsibilities is probable with effect from 1 April 2013 (see "Post balance sheet events").

The members of the Board of Management are supported by in-house management committees in an advisory capacity. DekaBank also actively incorporates the expertise of the *Sparkassen-Finanzgruppe* into its decision-making process via three advisory boards, which advise the Board of Management, as well as several sales committees. In accordance with the provisions of the Investment Act, the supervisory boards of German capital investment companies include external members in addition to members of the Bank's Board of Management.

The close cooperation of the Board of Management and Administrative Board is based on trust. The Administrative Board comprises representatives of the shareholders and employees as well as representatives from the *Bundesvereinigung der kommunalen Spitzenverbände* (German Federal Association of Central Municipal Organisations), who act in an advisory capacity. The work of the Administrative Board is performed in part by the full Board and in part by various committees. To this end, the Administrative Board has formed the General Committee, the Audit Committee and the Credit Committee. The German Federal Minister of Finance has the general governmental supervisory responsibility. Georg Fahrenschon, the new President of the DSGV, has chaired the Administrative Board since 16 May 2012. He took over the office from long-standing DSGV President Heinrich Haasis, who retired.

Organisational structure and locations

The business of DekaBank is managed from its head office in Frankfurt/Main. Most of the Group's capital investment and associate companies in Germany are also based there, including Deka Investment GmbH with responsibility for securities fund business as well as Deka Immobilien GmbH and Deka Immobilien Investment GmbH, which, together with WestInvest Gesellschaft für Investmentfonds mbH in Düsseldorf, are in charge of property-related asset management. The development, issue, marketing and management of exchange traded funds (ETFs) for institutional investors are the responsibility of ETFlab Investment GmbH in Munich. Important subsidiaries in international financial centres include DekaBank Deutsche Girozentrale Luxembourg S.A. in Luxembourg and Deka(Swiss) Privatbank AG in Zurich. The DekaBank Group also maintains companies and representative offices in Amsterdam, Brussels, London, Madrid, Milan, New York, Paris, Tokyo and Vienna.

Together with the public sector insurance companies, DekaBank offers products and consultancy services relating to company pension schemes via its associated company S Pensions Management GmbH in Cologne (DekaBank shareholding: 50%). Fund accounting in Germany and some areas of fund administration are pooled at Dealis Fund Operations GmbH, a joint venture with Allianz Global Investors (DekaBank shareholding: 49.9%). S Broker AG & Co. KG in Wiesbaden (DekaBank shareholding: 30.6%) is an online broker. In close cooperation with the DSGV, DKC Deka Kommunal Consult GmbH (DekaBank shareholding: 100%) in Düsseldorf provides advice to local authorities and public sector companies in Germany.

DekaBank has pooled its business in the following divisions:

The Asset Management Capital Markets (AMK) business division covers the entire value-creation chain for securities fund business, including product development, portfolio management and fund and securities account services. At the end of 2012/beginning of 2013, AMK additionally took over responsibility for the ETF business. Private Banking Sales and the Institutional Customers business unit are also assigned to AMK at the organisational level.

The Asset Management Property (AMI) business division pools property fund business and Real Estate Lending (REL).

The Corporates & Markets (C&M) business division comprises capital market business, lending and Group Treasury. Until the end of 2012, C&M was also involved in the production of ETFs.

Savings Banks Sales and the Corporate Centres of DekaBank, which comprehensively support the business divisions and Sales, form the Other segment. As at the reporting date, the Corporate Centres encompassed Strategy & Communication, Group Audit, Legal Affairs, Human Resources, Group Risk, Finance, IT/Organisation, the Group COO and the Credit Risk Office.

Business activities that are being discontinued are consolidated in non-core business. This segment manages securitisation transactions and loans that no longer form part of the core business as well as public finance activities. The relevant portfolios are reduced while safeguarding assets.

DekaBank Group strategy

DekaBank's strategy is geared to increasing the corporate value on a sustained basis with the objective of serving the purposes of the *Sparkassen-Finanzgruppe*. The intention is to maintain an ambitious target rating through value-oriented growth combined with the efficient use of equity at the same time, as the rating is highly important in DekaBank's business model.

In close cooperation with its shareholders, DekaBank launched its strategic development plan in 2012 – from being the central asset manager to becoming the fully-fledged securities service provider of the savings banks. The robust and competitive business model, which is based on integrating core business in Asset Management with supporting activities in Capital Market business, will partly be revised based on the requirements of the savings banks and their end customers and expanded to include new activities.

On 12 September 2012, the Administrative Board resolved the expansion of business activities. DekaBank prepared the foundations for its transformation and expansion with a view to becoming a full-service provider for all securities-related business with the D18 transformation programme, which the Bank began in the fourth quarter of 2012. Important programme campaigns have already started, and the first major results are expected as early as this year. The transformation programme comprises core initiatives with a focus on the overall strategy, as well as product and customer related issues alongside cross-disciplinary aspects. The overriding goal is to position securities as an important segment in the formation of assets, in order to strengthen the savings banks' securities business in the long term.

Support for the savings banks in retail business

The investment and advisory process, which is geared to the savings banks' end customers, will be further developed in terms of the strategy, processes and organisation. DekaBank can build on the results of the joint project entitled "Securities Business in the *Sparkassen-Finanzgruppe* – New Challenges for Advisory Services" (*Wertpapiergeschäft in der Sparkassen-Finanzgruppe – neue Herausforderungen für die Beratung*), which is sponsored by the DSGV, regional savings banks and giro associations, savings banks and DekaBank. It supports the marketing of funds that Sales focuses on throughout the year. This is flanked by the increased presence of sales executives who support advisers and sales managers on site in the savings banks. The number of sales executives was increased by 14 during the reporting year. In addition, the savings bank advisers are supported via the information and services provided on DekaNet, the online adviser platform which was relaunched in 2012 in alignment with the requirements of the savings banks. Another measure taken is the introduction of training courses for specialist advisers and managers in the savings banks. At year-end 2012, a total of 130 savings banks were already utilising this "*Deka-Patenschmiede*" (Deka mentoring) programme.

The transformation into a fully-fledged securities service provider also comprises the further development of the private banking offering. DekaBank aims to intensify business relations with the partner savings banks in the Private Banking segment.

Further development of the product range in retail business

Starting in the first quarter of 2013, DekaBank will expand its range of securities for the formation of assets by private households to include certificates. The focus will be on issuing simple and transparent standard products, which are suitable for selling on a broad scale. They include equity linked bonds, interest rate products and capital protection certificates as well as express, discount and bonus structures. DekaBank has already been issuing individual certificates for investments by the savings banks and institutional customers for their own account for the past ten years. As a result, the Bank has an established infrastructure in this business segment. With the new DekaBank certificates, savings banks will now also be able to offer their customers bonds from a first-class issuer, the kind in which they themselves have been investing for many years.

In addition, DekaBank is examining further options for expanding its product range to include new items that meet the requirements of the savings banks and their customers. Factors for success in this respect include DekaBank's comprehensive experience based on its own issues for institutional investors, process reliability in trading and structuring, the strong rating and the proven sales platform which is run in partnership with the savings banks. At the same time, DekaBank is continually streamlining its range of funds, in order to minimise processing complexity for the savings banks and DekaBank itself to a feasible extent.

On recommendation of the Conference of Association Chairmen, of which the President of the DSGV and the President of the regional savings banks associations are members, DekaBank commenced negotiations with Landesbank Berlin (LBB) in December 2012 with the aim of acquiring its customer-oriented capital market business as well as the bank's wholly-owned subsidiary, LBB Invest. LBB Invest is an asset manager whose activities on behalf of private and institutional investors focus on mutual and special funds. The acquisition would provide further impetus for the ongoing development of the product range. Following the relevant analysis, the decisions by the corporate bodies of the two banks may be taken as early as summer 2013.

Support for the savings banks as institutional customers

This segment centres on further developing the range of products and services with the aim of meeting both the changed demand on the part of the savings banks as well as regulatory requirements. A particular focus is on expanding the Depot A (A securities account) as part of the savings banks' asset and liability management.

The extensive utilisation of DekaBank as liquidity centre is to be further promoted, partly by processing standardised OTC derivatives transactions. To this end, DekaBank registered (with clearing member status) with the London Clearing House (LCH), a central counterparty for derivatives transactions, in the third quarter of 2012. This direct access enables the savings banks to efficiently settle derivatives transactions that are not subject to a loss-sharing agreement with a central counterparty (CCP). In the context of the European Market Infrastructure Regulation (EMIR), DekaBank offers support to savings banks which conduct OTC derivatives transactions by enabling seamless integration.

Other focal points in institutional business relate to the further development of special funds management and overlay management for capital investments.

Group-wide optimisation processes

The IT mission project launched in 2010 will give DekaBank a competitive and flexible IT architecture, which is also intended to reduce costs. By 2014, the overall IT architecture will be migrated to an application environment that offers a high level of system stability and guarantees faster adaptation to new market developments at lower IT production costs. The savings banks will also benefit from this, since it facilitates a quicker response to customer requirements. Key developments during the year under review included the relaunch of DekaNet and new front office support for Asset Management. The new sales data warehouse is set to go live in 2013.

To successfully drive forward DekaBank's evolution into becoming the fully-fledged securities service provider of the savings banks and be able to absorb the necessary investments, even more stringent cost management than is implemented at present is required. The new centralised Cost Management unit set up at the end of 2012/beginning of 2013 is comprehensively reviewing the current cost structure and will manage a campaign aimed at increasing cost flexibility. The existing approaches to organisational and process optimisation as well as lean management will be integrated as part of this new project.

AMK business division

Products and services

The core business of AMK, which is DekaBank's largest business division, is the active management of securities funds as well as fund-linked asset management.

The business division's product range includes

- actively managed mutual funds in all the major asset classes (equities, bonds, money market, mixed funds, capital protected funds and any combination of these),
- products relating to fund-linked asset management, including Deka-Vermögenskonzept (Deka Wealth Concept), fund of funds such as Deka-BasisAnlage (Deka Basic Investment), which was launched in the reporting year, and fund-linked pension products, and
- special funds, advisory/management mandates and master fund mandates for institutional customers.

In addition, all the necessary preparations were made in the reporting year for expanding the AMK business division's range of products and services to include passively managed exchange traded funds (ETFs) as of the beginning of 2013, which were previously assigned to C&M. AMK's services encompass all aspects of the investment custody business, including portfolio management, as well as contract and order processing. Fund accounting and some areas of fund administration are pooled in Dealis Fund Operations GmbH, a joint venture with Allianz Global Investors.

Influencing factors and competitive position

The business development and profit performance in AMK are mainly shaped by the capital market environment, the sales environment of the *Sparkassen-Finanzgruppe* and product quality. The factors mentioned above impact on the sales situation with regard to private and institutional investors as well as the performance of portfolios. In addition, changes relating to regulatory requirements are important.

The AMK fund assets (according to BVI) amounted to €145.1bn as at year-end 2012. Consequently, the DekaBank Group remained unchanged in its position as the third largest provider of mutual securities funds in the German market.

Strategy

The primary strategic aim of AMK is to provide the best possible support for the all-encompassing advisory approach that the savings banks offer to customers of the *Sparkassen-Finanzgruppe*. In terms of products, the measures implemented here focus on further stabilising product quality and concentrating on the product range. Moreover, AMK strives to deliver solutions based on new product concepts that meet customer requirements as they change in line with the capital market environment. With regard to the reporting year, the following should be highlighted:

- Deka-BasisAnlage as a savings plan or one-off investment concept for investing smaller amounts or capital-forming payments; four custody account versions are available, depending on the risk affinity of the savings bank customers,
- the Deka-Nachhaltigkeit (Deka Sustainability) product series, which lets investors invest in equity, bond or mixed funds that meet the specific criteria of sustainable investments,
- the Deka-RenteDirekt immediate pension solution, which offers a lifelong annuity in return for a one-off payment, and
- the Deka-Sachwerte (Deka Property) mixed fund, which invests in asset classes offering stable value and strong substance, such as equities, gold and properties.

AMK supports the customer advisers in the savings banks – together with Savings Banks Sales – for example by supplying model portfolios, expanding the range of information provided, enhancing the integration of sales-supporting processes in the IT systems of the savings banks and through intensified local sales support, which also includes training measures.

With its comprehensive, advice-centric offering, AMK also intends to further increase the loyalty of the savings banks' institutional customers to the Finance Group. The incorporation of ETFlab into AMK and the resultant enhanced integration forms part of this strategy.

AMK aims to use product, service and sales-related measures in the various investor segments to achieve a sustained positive net sales performance and strengthen the Bank's market position in the long term.

AMI business division

Products and services

AMI offers property investment products for private and institutional investors. In addition, AMI provides commercial property financing. As a result of the parallel activities in investment fund business and financing, AMI has the necessary access to property and investors in all major markets. The business division specialises in the following property segments: offices, shopping centres, hotels and logistics.

In the investment fund business, AMI focuses on the purchase, further development and sale of marketable commercial property in liquid markets. The subsidiary Deka Immobilien GmbH is responsible for the acquisition, sale and management of property worldwide as well as all other property fund services for all of the investment funds. The two capital investment companies, Deka Immobilien Investment GmbH and WestInvest Gesellschaft für Investmentfonds mbH, concentrate exclusively on active portfolio and fund management.

The product range in the investment fund business includes open-ended mutual property funds for private customers, as well as special funds and individual property funds for institutional customers – mainly the savings banks. The business division is also responsible for the fund management of credit funds alongside property financing and infrastructure loans.

In Real Estate Lending (REL), activities centre on markets, business partners and property types which are also relevant to investment fund business. Through its broad access to markets and investors, REL strengthens the expertise and business basis of AMI.

Influencing factors and competitive position

The attractiveness of property investments is decisively influenced by buying and selling opportunities, the price trend, the letting situation and the development in the value of the property portfolio. Another influencing factor is the money market rate, since liquid funds are invested for the short term. In property finance, factors that are typical in the lending business also play a major role, including creditworthiness, the loan structure and the trend in market interest rates.

The joint approach to investment fund and financing business is a significant competitive advantage over most competitors, despite the existing Chinese walls. With regard to open-ended mutual property funds, AMI is the market leader in Germany and among the ten largest asset managers in Europe. Worldwide, AMI is one of the top 20 businesses in the sector. Total fund assets, according to BVI, amounted to €23.8bn as at year-end 2012. The assets are divided across 457 properties in 25 different countries. With a gross loan volume of €7.7bn as at year-end 2012 (of which €1.6bn were attributable to property fund financing), REL is one of the most active providers of commercial property finance in the markets that it services.

Strategy

AMI aims to further strengthen its market position in asset management. This requires sustained performance, which AMI sets out to achieve through prudent sales management and the value-oriented development of the property portfolio. For this purpose, AMI ensures ongoing rejuvenation of the portfolio on the basis of a buy and sell policy that is aligned with the liquidity position and market situation. Key criteria in addition to the quality of properties increasingly include sustainability aspects as well. The share of certified green buildings in the overall portfolio will continue to be expanded in future.

With regard to the open-ended mutual property funds, the aim is to consolidate AMI's market leadership in Germany. At the same time, the business division intends to further leverage the market potential for institutional business. To supplement the existing funds, including the single-sector funds in the WestInvest TargetSelect series, solutions offering additional investment vehicles for the savings banks and other institutional investors are developed and launched on the market.

The strategic focus in REL remains the financing of commercial properties in selected markets in which the investment fund companies of the AMI business division also invest. This approach centres on comparatively conservative, less complex financing solutions, with a considerable percentage of the financing placed with institutional customers via syndication or in the form of fund assets.

C&M business division

Products and services

The C&M business division combines DekaBank's capital market and financing activities as well as Group Treasury. The focus is on the range of capital market and credit products for funding the savings banks and supporting Asset Management. C&M is divided into the Markets, Credits and Treasury sub-divisions.

Markets

The Markets sub-division is the central product and infrastructure provider as well as a service provider for the savings banks in DekaBank's capital market business. In the previous year, Markets was realigned and now concentrates even more strongly than before on customer business between the savings banks, DekaBank and the capital investment companies. In this connection, Markets provides the link between customers and the capital markets. To fully utilise the platform, services are also offered to selected customers outside of the *Sparkassen-Finanzgruppe*, in particular to banks, insurance companies and pension funds.

The Short Term Products (STP) unit pools all short-term capital market activities, such as short-term interest rate hedging and collateralised money market transactions. As a liquidity centre, STP supports savings banks with the short-term supply of liquidity. An important factor here is the repo/lending business, which generates liquidity as well as additional income for funds and the savings banks.

The Structuring & Trading (S&T) unit is DekaBank's centre of competence for trading and structuring capital market products and derivatives in all asset classes that are used by the funds and in the Depot A securities account of the savings banks or issued to other customers. S&T is also responsible for issuing bonds, including certificates. In addition, S&T's activities comprise bond trading as well as trading in interest rate and equity derivatives.

The Commission Business unit essentially executes orders relating to equities, bonds and stock exchange traded derivatives on behalf of customers within and outside of the Group. It primarily carries out activities on behalf of the Asset Management units of the DekaBank Group.

Credits

In Credits, the focus is on financing infrastructure measures, means of transport (ships and aircraft) and ECA-covered trade financing. Outside of savings bank finance, the Credits sub-division concentrates on loans which can be passed on to other banks or institutional investors. The sub-division is also the central point of contact for savings bank funding.

Treasury

The Treasury sub-division manages market price risks relating to the investment book, Group liquidity and Group refinancing. In addition, Treasury manages the Bank's surplus liquidity.

Influencing factors

The economic trend in C&M is subject, in particular, to the influence of the money and capital markets. Demand from savings banks and other counterparties for liquidity depends on the volume of liquidity allocated by the European Central Bank (ECB). The situation in the bond market has an impact on issuing activities as well as on the performance and risk development of the Treasury portfolio. Lending is partly influenced by the economic trend in the sectors to which financing is provided as well as by market interest rate developments. Furthermore, regulatory conditions have an impact.

Strategy

On the basis of its focused strategic approach, Markets is currently expanding its function as DekaBank's liquidity centre for supplying short-term liquidity to the savings banks, investment funds and other institutional customers as well as internally within the Bank.

STP responds to changing market and regulatory requirements by further developing the trading systems for largely automated and standardised repo/lending business as well as the close integration with product providers. Consequently, collateralised business is set to increase further, in line with expectations.

Based on the joint expansion of the trading platform with Deka Investment GmbH, selected savings banks and other institutional clients, additional services along the value-creation chain are to be offered in commission business. Growth opportunities in this connection will also arise in terms of developing and expanding business in the role of general clearer for futures and options.

With regard to structured solutions, in both traditional bond trading with *Pfandbriefe* and third party issuing business, Markets relies on the intensive cooperation with the sales units. The expertise in certificate issues for institutional customers will be transferred to the retail customer business upon the savings banks' request. In line with the requirements in private customer business, the number of issues will rise, while the minimum investment needed in each case will be a lower amount. The necessary platform is already in place.

In the future, Credits will continue to focus on the narrowly defined credit segments in which DekaBank has specific experience. In new business, any future exposure will also be linked to suitability for placement with third parties as part of the Bank's consistent management of risk-weighted assets (RWA). At the same time, DekaBank's role as the funding partner of choice and co-investor of the savings banks is to be strengthened further.

Treasury ensures the Group's liquidity and funding across all maturity bands and manages the interest rate risks and currency risks inherent in the banking book. In preparation for future regulatory requirements, an additional strategic liquidity reserve was already set up in 2012 and the funds transfer pricing concept was adjusted.

Non-core business

Business activities that are being discontinued have been pooled in non-core business. The portfolio essentially comprises corporate financing, leveraged loans, trade financing and non-ECA-covered export financing as well as securitised products, structured credit and non-*Pfandbrief* eligible financing of regional and local authorities.

The relevant portfolios are reduced while safeguarding assets. Based on the analysis of potential appreciation in value, default risk and expected net interest income, a decision is taken as to whether to sell or hold the individual positions.

Sustainable business policy

DekaBank's sustainability strategy has the objective of reconciling the economic, environmental and social aspects of business. The Bank intends to provide a forward-looking response to global and social challenges while at the same time leveraging economic opportunities in the interests of its shareholders – with a long-term, risk-oriented and responsible approach.

The Bank's sustainability-related activities extend across four central pillars: environmental management/sustainable banking, sustainable HR management, sustainable banking products and social responsibility. Details regarding the principles and current developments are provided in the sustainability report, which is published every year as an integral component of the annual report.

In the reporting year, oekom, one of the world's leading rating agencies in the sustainable investment segment, confirmed DekaBank's prime status and once again gave the Bank an overall score of C. This represents a recommendation by oekom in respect of DekaBank's issues and products for investors who take social and ecological aspects into consideration when investing. For the rating, oekom analysts examine a total of around 80 sustainability criteria relating to the social rating and environmental rating categories. Compared with the 2011 score, DekaBank improved its social rating by a notch, from C to C+.

Deka Investment GmbH became a signatory to the United Nations Principles for Responsible Investment (UN-PRI) in October 2012. By signing the PRI Initiative, institutional investors undertake to act sustainably and responsibly in the interests of society.

Risk and profit management at the DekaBank Group

DekaBank aims to gain interest on the capital invested in the Bank in an amount which will secure the corporate value as a minimum. This is to be achieved on the basis of an appropriate risk/reward ratio in the long term. In line with this goal, non-financial and financial performance indicators are used in the Bank's management. Comprehensive reporting on Group management indicates at an early stage whether strategic and operational measures are successful and whether DekaBank's risk/reward ratio is within the target range.

Non-financial performance indicators

The non-financial performance indicators relate to the various dimensions of the Bank's operations and are an indication of the success of the products and services of DekaBank's business divisions in the market and the efficiency of the business processes.

Key indicators in Asset Management (AMK and AMI business divisions) and Savings Banks Sales are:

- net sales as the performance indicator of sales success. This figure essentially results from the total of direct sales of mutual and special funds of the DekaBank Group, fund-based asset management, the funds of cooperation partners and the master funds and advisory/management mandates. Sales generated through the Bank's own investments are not taken into account.
- assets under management (AuM). Key elements include the income-related volume of mutual and special fund products in the AMK and AMI business divisions, direct investments in cooperation partner funds, the cooperation partner fund, third party fund and liquidity portions of fund-based asset management as well as the advisory/management mandates. For comparative purposes within the scope of the BVI statistics, DekaBank continues to use the fund assets according to the BVI.
- the ratio of intra-alliance business (share of DekaBank products in total fund sales of the savings banks) to measure the Bank's acceptance in the *Sparkassen-Finanzgruppe* and the payments to the alliance partners, which in combination with the economic result reflect the Group's added value contribution in respect of its partners within the *Sparkassen-Finanzgruppe*.

In addition, staff-related key indicators are established, which are explained in the human resources report (see page 41).

Financial performance indicators

The DekaBank Group's risk, earnings and capital management is essentially illustrated by two central financial indicator concepts.

The monthly analysis of risk-bearing capacity involves comparing the Group's potential risk cover fund that may be used to cover losses with the Group risk, which is determined across all risk types that have an impact on profit or loss (see pages 50 to 51). This makes it possible to establish whether the total risk limits have been adhered to at the Group and divisional level. In addition, DekaBank strives to continually increase its corporate value by achieving the best possible economic results under the prevailing risk conditions at any given time.

The economic result is the central management and performance indicator and is based on the IFRS accounting standards. In addition to net income before tax, it includes changes to the revaluation reserve before tax as well as the interest rate and currency related valuation result from original lending and issuance business. Furthermore, tax-relevant effects are included in the economic result. These relate to potential charges that are taken into account in corporate management due to the management function of the economic result, but cannot yet be recorded in IFRS reporting at the present time due to the lack of sufficient reliability.

As a result of the mixed model approach, net income before tax under IFRS is affected by the different principles used for the valuation of the various assets and liabilities. This in turn means that not all income components which are relevant to the management's assessment of the profit situation are taken into account. In particular, net income before tax excludes both changes in the revaluation reserve, which reflects the valuation result for securities in the available for sale (afs) category, and the interest rate-induced valuation result from hedged underlying transactions (loans and own issues) outside of hedge accounting under IAS 39.

The economic result has already been used in external reporting at the Group and business division level for several years. Consequently, DekaBank complies with the provisions of IFRS 8 (Operating Segments), according to which internal management data must be transferred to segment reporting (management approach). The valuation and reporting differences with regard to the consolidated financial statements under IFRS are clearly explained in note [2], where they are reported in the reconciliation column relating to Group net income before tax. This ensures reconciliation with net income before tax at all times.

Moreover, the economic result forms the basis for calculating adjusted, long-term economic Group net income. This variable, which is adjusted for non-recurring factors and any components that are not sustainable, forms the basis for an assessment of the development of the corporate value of DekaBank as part of medium-term planning. To this extent, the management concept is also linked to DekaBank's business strategy, which focuses on sustainability.

Other financial performance indicators are return on equity and the cost/income ratio. In addition to the key indicators concerning risk-bearing capacity, the capital ratio in accordance with the Solvency Regulation (SolvV) and the core tier 1 capital ratio are of primary importance for assessing the adequacy of the total amount of capital and reserves of the DekaBank Group in line with regulatory requirements.

RWA are managed taking into account the Group strategy, balance sheet structure and capital market environment. DekaBank's aim is to maintain its core tier 1 capital ratio at or above the target of 12% on a permanent basis. This target has yet to be met following the acquisition of the Bank's own shares in 2011.

Funding via the capital market constitutes an important aspect of DekaBank's business model. Here, the Bank has positioned itself as a reliable partner. This is documented by correspondingly strong capital market ratings from leading international rating agencies, which are appropriate to the business model.

Economic environment

Overall assessment of economic environment

DekaBank conducted its business in the face of challenging economic conditions in 2012.

In securities-related asset management, investor uncertainty as a result of the banking and debt crisis impacted on the sales situation, as did the gloomier global economic growth prospects. The marked need for safety on the part of investors was reflected in high inflows into bond funds as well as in the negative overall net funds inflow into other mutual securities funds. Despite their positive performance, the importance of funds for the purpose of asset formation diminished further.

DekaBank's open-ended mutual property funds were in high demand among private investors in 2012. This demand was boosted by the trend towards investing in inflation-proof tangible assets.

In addition, the low interest rate level generated a high level of demand for *Pfandbriefe* and corporate bonds, which in turn prompted issuing activities. The central banks' comprehensive supply of liquidity to the markets resulted in a sharp decrease in interest rates in the money market, down into the negative range. This made it increasingly difficult to find acceptable investment products in the short maturity bracket. The de-escalation of the national debt crisis in the eurozone led to a drop in bond yields and risk premiums. This impacted positively on the valuation of capital market products and the risk position.

Imminent regulatory changes and regulatory adjustments under discussion contributed to uncertainty among investors and at the same time pushed up costs due to the stricter reporting and capital requirements.

National debt crisis in the eurozone

The national debt crisis in the peripheral countries continues to act as the major dominating influence for the capital markets within the eurozone. However, the extent of market distortions has markedly decreased since mid-year. In this respect, the decisive factor was the ECB's announcement that it would buy government bonds in an unlimited volume if necessary (Outright Monetary Transactions Programme or OMT programme). The announcement alone significantly reduced risk premiums on government bonds from the crisis-stricken countries. However, the prerequisite for utilisation is that the governments of the countries concerned first agree on a bailout programme under the European Stability Mechanism (EFSF) and the European Financial Stability Facility (ESM), respectively. This in turn requires structural reforms with a view to budget consolidation.

This consolidation in the crisis countries progressed with different levels of intensity. Greece and Portugal have made the most advances, although the austerity measures were overshadowed by the collapse of economic output. Spain and Ireland also achieved some progress, whereas Italy and France still face sweeping structural reforms. The still evident backlog of reforms continues to represent a risk to the stability of the eurozone. The adjustment of the banks' balance sheets is in particular progressing slowly, which is preventing a revival of economic growth.

The willingness of European countries to extend the duration of the current adjustment programme in Greece and make additional funds available for it increased in the course of 2012. Most recently, a waiver of 50% of the debt by public sector creditors was up for debate (without the ECB and the International Monetary Fund). The buyback of existing Greek debt provided the prerequisite for further aid, which was completed in December 2012 and reduced the debt level. The risk of a Greek exit with potentially severe consequences for the stability of the financial markets in the eurozone has therefore diminished for the time being. However, in the medium term, there is still the risk of the adjustment programme failing and that the capacity to carry Greek government debt will become unrealistic. As a result, potential setbacks continue to be considerable in the capital markets and in the real economic environment within the eurozone.

Overall economic trends

In 2012, global economic growth slowed down, not least due to the crisis-like conditions in the southern periphery of the eurozone. Alongside the disappointing trend in the industrialised countries, particularly in the eurozone, the slowdown in economic growth impacted on the emerging markets, which rely heavily on exports. At 7.8%, China failed to match the previous year's growth, but remained stronger than some observers had expected. In Central and Eastern Europe, the dependency on exports to Western Europe had a negative effect.

In the industrialised countries, economic growth decelerated overall. The USA achieved initial successes in the labour market, with regard to the indebtedness of private households and in the housing market with a combination of expansionary monetary and financial policy. As a result of weak investment activities, the country's economic output nevertheless only increased by 2.3%. The eurozone as a whole slid into a mild recession in the second half of the year. The recession particularly deepened in the crisis-stricken countries, which are forced to adopt a restrictive budgetary policy. At the same time, Germany saw a far steadier trend, recording a slight increase of 0.7% for the full year. On the one hand, companies were partly able to compensate for domestic sales losses with strong exports to the emerging markets and on the other, consumption had a stabilising effect. However, the debt crisis has also left its mark on Germany. Companies have responded to the prevailing uncertainty with lower investments in machinery and inventory. Consequently, economic growth slowed down considerably in the course of the year and a slightly negative growth rate was eventually recorded in the fourth quarter of 2012.

The central banks responded to weak economic data and a decrease in lending by continuing their expansionary monetary policy. The ECB reduced the key funding rate by 25 basis points to 0.75% in July 2012. At the same time, it adhered to its policy of making unlimited liquidity available to the euro system. In so doing, it pushed the money market interest rate as well as yields on benchmark bonds down to a historical low.

Ultimately, a new normal has emerged in the financial markets, and DekaBank believes this new situation will persist for many years. It is marked by very low and in some cases negative nominal interest rates, a sharp rise in the money supply from central banks, a high level of government bonds on the central bank side – partly with below average ratings – and abbreviated bank balance sheets.

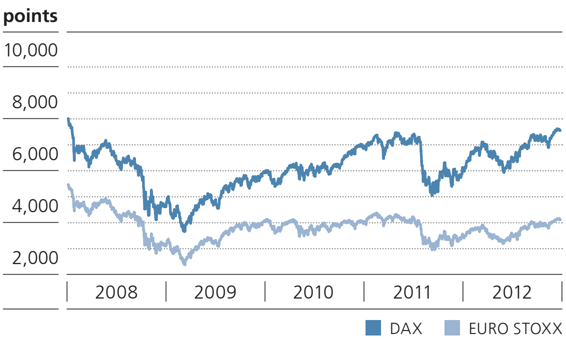
The expansion of the money supply is associated with a higher risk of inflation. Due to slower economic growth, a downturn in commodities prices and restrictive lending by banks, however, this risk did not materialise in 2012. Nevertheless, the continuing low interest rate environment in the money and bond markets – combined with positive growth rates in Germany – increase the threat of a real interest rate trap. However, as a result of the pronounced need for safety on the part of bank customers, this has not had a major impact on investment behaviour to date.

Trends in capital markets

In 2012, there was a positive trend in the equity markets of many countries. The DAX closed the year up 29% (Fig. 1); and second-tier and technology stocks also recorded a double-digit increase on average. After a volatile first half of the year, stimulating forces prevailed around mid-year. In particular, the above-mentioned OMT programme improved sentiment among financial market analysts and ensured an upward trend in share prices. This was supplemented by relief following the decision of the German Federal Constitutional Court to reject the urgent motions against the euro bailout fund, which means that nothing now stands in the way of Germany participating in ESM. In addition, many companies exceeded the restrained expectations of analysts in the course of the year. The share prices quoted at the end of the year reflected the expectation that global growth would pick up and the euro crisis was under control. The general understanding is that the European Monetary Union rather than being an economic undertaking is of a political nature, and there is a common interest in maintaining the euro.

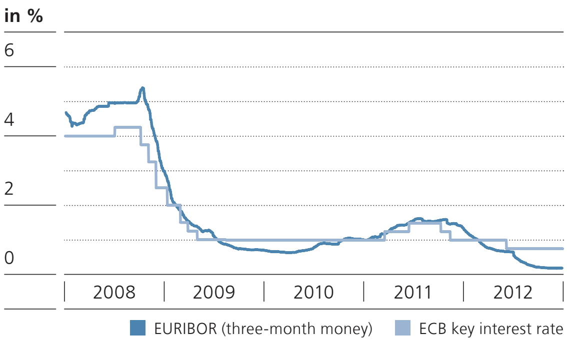
The bond markets were still firmly dominated by the eurozone crisis in the first half of 2012. In June, risk markdowns on German government bonds were at a record high. Hopes of massive support from the ECB then reduced yields considerably, especially those on government bonds with short maturities from the peripheral eurozone countries. Conversely, for a short period, German government bonds with long maturities were negatively affected. In contrast, yields at the short end of the Bund curve remained well anchored by the low interest rate of the ECB on deposits and the ample liquidity supply of banks (Fig. 2). The reduced risk of a crisis in combination with low interest rates meant that emerging market bonds remained attractive and the previously increased spreads tightened again.

Performance of the DAX and EURO STOXX 2008–2012
(Fig. 1)



Source: Bloomberg

EURIBOR and eurozone key interest rate 2008–2012
(Fig. 2)



Source: ECB, Bloomberg

The demand for corporate and bank bonds was high, not least as a result of strong company figures. This was supported by the major central banks supplying liquidity on a massive scale. In the second half of the year, in particular, numerous new issues were placed, and despite moderate risk premiums, some of them were significantly oversubscribed. *Pfandbriefe* and other covered bonds also benefited from high investor demand, although here as well, yields dropped to historically low levels. Covered bonds from Germany and the other core eurozone countries are additionally seen as an attractive alternative to government bonds, because of their high degree of safety. New Pfandbriefe were subsequently issued with extremely low risk premiums, which are now even below the mid-swap rates.

Trends in property markets

In view of extremely low yields on investments in government bonds from countries with high credit ratings, investors were also forced to accept historically low yields on top properties. Within Europe, Germany and Scandinavia along with London recorded very low net initial yields, while yields in the southern eurozone countries rose.

The European office property markets were affected by the national debt crisis and weak economy. Although demand was at a positive level in some locations, the trend in space sold was down overall. The weighted European vacancy rate fell below the 10% mark in the course of the year – in part due to minor growth in new space in the wake of modest construction activity. Consequently, the rates in most German locations were considerably lower than the comparative figures for 2011. For this reason, the German markets were among the winners, including in terms of top rents, whereas the average top rent in other European countries was down.

Most of the European hotel markets overcame the economic and financial crisis relatively quickly and soon posted substantial sales increases again. The recovery was primarily driven by higher average room rates. In London and Warsaw, the very strong market trend was favoured by non-recurring effects related to major sporting events.

Demand for logistics space was consistently high, particularly in Europe's core countries, Germany and France, as well as in Poland. However, the volume of new construction was modest as compared with the past five years.

The transaction volume relating to European commercial property was approximately at the previous year's level. With significant growth in some cases, the European core markets and Scandinavia compensated for the decline in the countries of southern and eastern Europe. Around half of the investment volume related to office properties.

At the same time, the transaction volume attributed to retail property diminished. In Germany, the share of such property in relation to the total investment volume was down to 30%, since the supply of top properties could not meet the high demand, including from foreign investors.

The average top yield in Europe was largely at a steady level throughout the year. Significant increases were recorded in respect of yields in southern Europe, while top yields diminished in the major German cities.

In the USA, the transaction volume for commercial property rose sharply in the course of the year, mainly in relation to prime properties in core locations. Office properties were at the centre of this increase, although the economic trend is preventing a faster recovery in the office markets and decelerating growth in rents. In Asia, the economic downturn resulted in subdued demand for office property, while the vacancy rate increased in line with the high volume of completed new buildings.

Investor attitudes and sector developments

The stabilisation of the financial markets had a positive overall impact on sales of mutual fund units – even if this did not apply to all fund categories. The investment statistics published by the *Bundesverband Investment und Asset Management* (BVI) reported funds inflows into bond funds in particular during 2012, but also into mixed and property funds. Investors were less favourably inclined towards equity, guaranteed and money market funds. The net funds inflow totalled €24.6bn in the reporting year (previous year: €– 15.3bn).

Bond funds, which recorded funds inflows amounting to €31.9bn in total, benefited from the stabilisation in the bond markets. Demand was especially high for funds which invest in corporate bonds, emerging market securities and high-interest euro bonds. In the previous year, uncertainty in the euro bond markets had resulted in significant outflows from such funds. Although equity funds reported inflows again following the strong performance in the fourth quarter of the year, they recorded losses of €4.6bn for 2012 as a whole – more than double the figure of the previous year. Other losers in 2012 included capital protected funds and money market funds. In contrast, open-ended mutual property funds remained popular and posted an increase of €2.9bn, approximately a third of which was attributable to DekaBank's retail funds.

At €75.3bn, special funds for institutional investors recorded a sharp rise in net funds inflows as compared with the previous year (€45.5bn).

Regulatory provisions

The implementation of Basel III at the European level will not come into force in early 2013 as was originally planned, but is instead expected to take effect towards mid-year at the earliest. The new regulatory provisions are to be stipulated in the form of an EU regulation, the Capital Requirements Regulation (CRR), and an EU directive, the Capital Requirements Directive (CRD IV). The former will immediately be applicable after coming into force, without implementation into national law. The CRR essentially comprises regulations on the composition of equity and on capital requirements, large-scale loans, the leverage ratio as well as liquidity supply and disclosure. The CRD IV directive includes regulations governing the admission and authorisation of financial institutions and securities companies as well as governance and the supervisory framework.

Recently, the introduction of the liquidity coverage ratio (LCR) was postponed pursuant to a resolution by the Basel Committee on Banking Supervision. Until 2015, banks will now only need to hold 60% of the total required liquidity buffer. An LCR of 100% will then only be mandatory from 2019 onwards. In addition, shares and mortgage bonds may now also be recognised as elements of the liquidity buffer, subject to certain conditions.

In October 2012, the proposals of a group of experts (Liikanen Report) were published regarding possible reforms of the structure of the banking sector in the EU. At the centre of the report is that major banks are to hive off their risky commercial transactions into a separate subsidiary.

Furthermore, the German Federal Financial Supervisory Authority (BaFin) published a first draft of the minimum requirements for recovery plans (MaSan) in November 2012, which oblige systemically important financial institutions (SIFI) to develop restructuring plans for their own businesses.

The European Market Infrastructure Regulation (EMIR) came into force in August 2012 as an EU regulation. It is aimed at increasing the transparency and security of OTC trading in financial derivatives. Under the regulation, these derivatives, which have largely been traded over the counter (OTC) to date, must be processed via central counterparties (CCP) if they are standardised and designated as subject to clearing by the supervisory authority. At the same time, more stringent requirements in terms of collateralisation (margins) apply to OTC derivatives transactions that are not cleared via a CCP.

Business development and profit performance in the DekaBank Group

Overall assessment by the Board of Management

In the reporting year, the DekaBank Group succeeded in increasing its economic result by 35.6% to €519.3m. The steady overall trend in the key income elements – net interest income and net commission income – was positive, as was the sharp rise in net financial income from trading book portfolios, which highlights the importance of our securities business with customers. At year-end, risk provisions for loan losses and securities business were approximately at the previous year’s high level.

On behalf of its shareholders, the savings banks, DekaBank generated an added value contribution of €1.3bn, which represents an increase of approximately 12% on the previous year’s level. The DekaBank business model has thus once again been confirmed as sound and competitive. Although the high net financial income significantly overcompensated for negative market effects, the Bank cannot be entirely satisfied with developments throughout the Group. This is due to the fact that the increase in net financial income was partly attributable to valuation effects and favourable business conditions in capital market business that are not expected to recur to the same extent in future years. The transformation and expansion of DekaBank into the fully-fledged securities service provider of the savings banks requires a trend reversal in sales and continuing strict management of risk assets. In addition, investments in the adjusted business model will need to be funded by the Bank itself, which will only be possible through rigorous cost management.

In the reporting year, administrative expenses were slightly down on the previous year’s level.

Compared with the previous year, the sales trend of securities funds had improved. Nevertheless, it remained unsatisfactory and reflected the current market situation as well as the fact that potential in the securities business within the *Sparkassen-Finanzgruppe* has yet to be fully utilised. DekaBank is confident of achieving a significant improvement in the coming years with the measures planned as part of the transformation process and in partnership with the savings banks. In 2012, the further development of the product range and intensified sales support already had a positive impact.

Although the net sales performance in AMK's and AMI's active asset management was in the negative range at €–0.2bn, there was a considerable increase year-on-year (2011: €–5.9bn). A lower level of funds outflows from bond funds and higher sales of mixed funds, open-ended mutual property funds and special funds and mandates were the decisive factors in this respect. In the second half of 2012, the net sales performance was very positive. ETFs, which are assigned to AMK as at 2013, accounted for net sales of €0.3bn.

The ratio of intra-alliance business, or the share of DekaBank in the total fund sales of the savings banks, rose from 75.4% in the previous year to 76.8%, thereby marking the end of the negative trend recorded in the preceding years.

Totalling €158.3bn, assets under management were up by €7.3bn following the strong fund performance. DekaBank remains one of the three largest asset managers in Germany and managed approximately 4.1m securities accounts at the end of 2012.

In the lending business, DekaBank acted with deliberate caution in line with its focus on business that can be placed externally. The gross loan volume throughout the Group declined by around 2%.

Group risk was reduced to €2.3bn in the reporting year. As a result, the utilisation rate of overall risk-bearing capacity was down by 10.9 percentage points to 45.8%.

The DekaBank Group's core tier 1 capital ratio amounted to 11.6% as at 31 December 2012. Compared with the previous year's figure (9.4%), the reinvestment of 2011 profit and the reduction in RWA impacted favourably. The regulatory capital requirements in accordance with the Solvency Regulation were consistently met, both at the Bank and Group level. The equity ratio rose to 16.2% (year-end 2011: 15.6%).

In the year under review, DekaBank fulfilled the bank recapitalisation survey conducted by the European Banking Authority (EBA) with regard to capital resources. The core tier 1 capital ratio of 11.7% as at 30 June 2012 – after taking into account the write-down of the market values of government securities – clearly exceeded the minimum requirement of 9%, and as a result, there is no recapitalisation requirement. The EBA bank survey, the results of which were published shortly after the end of the third quarter of 2012, was jointly conducted by the EBA, the German Federal Financial Supervisory Authority (BaFin) and Deutsche Bundesbank.

Ratings

In October 2012, Standard & Poor's affirmed DekaBank's ratings as part of its regular review, with a stable outlook. The year-end 2012 ratings were therefore A (long-term) and A-1 (short-term).

At Moody's, the long-term rating for DekaBank was A1 and the financial strength rating C–, both with a stable outlook. The short-term rating of P-1 remained unchanged. At the beginning of January 2013, all DekaBank ratings were reaffirmed.

The ratings for DekaBank remain at a strong level compared with other financial institutions in Germany.

Profit performance in the DekaBank Group

With an economic result of €519.3m, the DekaBank Group exceeded the comparative figure for 2011 (€383.1m) by 35.6%. Although the lower net commission income and, once again, high risk provisions affected profit, this was more than compensated by the rise in net interest income and net financial income. Growth in income of 10.2% pushed this figure up to €1,434.4m (previous year: €1,301.6m). At the same time, administrative expenses virtually remained at a steady level. This improved the cost/income ratio year-on-year from 64.7% to 55.6%. The return on equity (before tax) rose from 9.3% to 15.6%. DekaBank has therefore once again proved the robustness of its business model under difficult market conditions.

Core business contributed €418.2m to the economic result, which is 13.8% more than in the previous year (€367.5m). In non-core business, positive valuation effects had an impact in particular. Consequently, the economic result was up from €15.6m to €101.1m.

Net interest income rose by 16.2% to €431.1m (previous year: €371.1m). The result from liquidity investments accounted for a major proportion of the growth. Contributions based on fees and commission paid by customers in the lending business were also up year-on-year.

Risk provisions totalled €– 189.7m (previous year: €– 195.7m). Of this, lending accounted for €– 194.9m (previous year: €– 117.7m). The decisive factors relating to this item were specific valuation allowances on ship financing and individual project and property financing transactions. At the same time, portfolio adjustments and the release of specific valuation allowances totalled €24.2m. Risk provisions of €5.2m for the loans and receivables (lar) and held to maturity (htm) categories were just on the positive side. The previous year's figure of €– 78.0m included impairments on bonds from southern European countries. The valuation allowances set up in 2011 were partly written back in the reporting year when southern European bonds were sold, which generated minor earnings.

At €946.1m, net commission income was 3.1% below the level achieved in the previous year (€976.7m). Portfolio-related commission was significantly lower than in the previous year, particularly in the first half of 2012. In the second half of 2012, the comparative figure for 2011 was exceeded on the strength of higher sales figures and positive exchange rate developments. Commission from banking business was also below the 2011 figure, which was primarily due to the downward trend in contributions from commission business and securities management.

Net financial income comprises trading and banking book portfolios as well as the above-mentioned risk provisions for securities in the lar and htm categories. Compared with the previous year (€66.9m), it more than quadrupled to total €280.2m.

Net financial income from trading book portfolios was up 49.9% to €304.5m (previous year: €203.1m). Growth occurred mainly in the first half of the year when Markets benefited from the marked expansion of repo/lending activities in a volatile market environment (see page 20). In addition, tightening spreads had a positive impact on bond holdings. Structured trading products and bond trading also made a considerably higher contribution to net financial income. The modest decrease in derivatives trading only had a minor effect.

At €– 29.5m, net financial income from banking book portfolios was up on the previous year's level (€– 58.2m). While the valuation result in the C&M business division was slightly negative, non-core business reported positive valuation results, which were predominantly attributable to spreads narrowing in the course of the year. Net financial income comprises a flat rate provisioning amount of €– 55.0m to cover potential risks that may arise in the securities (valuation losses in net financial income) or lending business over the coming months. This amount is reflected in the economic result outside the IFRS income statement, without specific allocation to business divisions. Excluding this flat rate provisioning amount, net financial income from banking book portfolios amounted to €25.5m.

Other income decreased from €4.6m in the previous year to €– 28.1m in the reporting year. Amongst others, the previous year's figure was impacted by the fact that a higher amount of provisions was reversed.

Administrative expenses totalled €906.5m and were at a similar level to the previous year (€917.7m).

The increase in personnel expenses by 10.2% to €405.2m (previous year: €367.7m) primarily resulted from the higher average staff number for the year and a rise in salaries under collective bargaining agreements.

Operating expenses (excluding depreciation and amortisation) fell by 3.6% to €470.1m (previous year: €487.6m). The higher expenses in connection with the IT mission and bank levy were absorbed by savings in other areas.

Depreciation and amortisation was halved as compared to the previous year (€62.4m) and amounted to €31.2m. In addition to lower scheduled amortisation of intangible assets, the unscheduled amortisation applied on the goodwill related to WestInvest GmbH in the previous year, which was no longer a factor, had a particular impact.

The provisions set up in the reporting year for restructuring expenses totalled €8.6m (Fig. 3). They essentially relate to the strategic new direction for Deka(Swiss) Privatbank AG, which is assigned to the AMK business division.

Profit performance in the DekaBank Group *(Fig. 3)*

€m	2012	2011	Change	
Net interest income	431.1	371.1	60.0	16.2%
Provisions for loan losses	–194.9	–117.7	–77.2	–65.6%
Net commission income	946.1	976.7	–30.6	–3.1%
Net financial income [1]	280.2	66.9	213.3	(> 300%)
Other income	–28.1	4.6	–32.7	(< –300%)
Total profit	**1,434.4**	**1,301.6**	132.8	10.2%
Administrative expenses (including depreciation)	906.5	917.7	–11.2	–1.2%
Restructuring expenses	8.6	0.8	7.8	(> 300%)
Total expenses	**915.1**	**918.5**	–3.4	–0.4%
Economic result	**519.3**	**383.1**	136.2	35.6%

[1] Net financial income includes risk provisions for securities in the lar and htm categories of approximately €5.2m (previous year: €–78.0m).

Business development and profit performance in the AMK business division

The continuing low level of interest that private investors displayed for fund investments once again shaped the business trend in AMK during 2012. Net sales of mutual securities fund units fell short of expectations, despite the stronger performance of equity and bond funds in both absolute terms and compared with the competition. Nevertheless and irrespective of slight losses, AMK delivered the largest contribution to the DekaBank Group's economic result this year as well.

Net sales performance and assets under management

The net sales performance in direct sales of mutual securities fund units and fund-based asset management was up €3.1bn on the previous year (€–6.8bn) to €–3.7bn (Fig. 4). Redemptions of fund units dominated the situation, particularly in the first half of the year, due to the unsatisfactory yield and price trend in the capital markets. In the second half of the year, AMK achieved a positive net sales performance overall, with the balance moving into the positive range in the fourth quarter of 2012.

AMK sales performance *(Fig. 4)*

€m	2012	2011
Direct sales mutual funds	–1,912	–5,326
Fund-based asset management	–1,770	–1,498
Mutual funds and fund-based asset management	**–3,682**	**–6,824**
Special funds and mandates	1,867	–2
Net sales AMK	**–1,815**	**–6,826**
For information purposes:		
Net funds inflow AMK (according to BVI)	**–2,826**	**–7,759**

Direct sales of mutual securities funds stabilised substantially as compared with the previous year. Decisive factors here were the reduction in funds outflows from bond funds and pleasing demand for mixed funds, whose net sales more than doubled compared with 2011. Demand from investors was particularly high for multi asset funds, such as the Deka-EurolandBalance. Conversely, net funds outflows from equity funds and capital protected funds were higher than in the previous year.

In fund-based asset management, net sales of €–1.8bn remained below the previous year's level (€–1.5bn). Steady net funds inflows into the Deka-Vermögenskonzept (Deka Wealth Concept), which exceeded the volume of €1bn in the reporting year, and a strong start for the Deka-BasisAnlage (Deka Basic Investment) fund of funds concept failed to fully offset the funds outflows from the Sparkassen-DynamikDepot.

Sales of institutional products totalling €1.9bn were significantly up on the almost balanced net sales performance in the previous year. The main reason was the considerably higher level of net sales of special funds. With regard to advisory/management mandates, net sales were approximately balanced and therefore slightly weaker than in the previous year, while master funds recorded funds outflows.

Assets under management in the AMK business division rose by 4.9% to €133.1bn (year-end 2011: €126.9bn), despite the difficult sales situation (Fig. 5). The positive performance was partly market-driven. However, the higher product quality of the funds contributed equally to this growth.

Assets under Management AMK *(Fig. 5)*

€m	31.12.2012	31.12.2011	Change	
Equity funds	18,018	17,420	598	3.4%
Capital protected funds	3,243	4,769	–1,526	–32.0%
Bond funds	33,583	34,570	–987	–2.9%
Money market funds	225	244	–19	–7.8%
Mixed funds	11,666	10,033	1,633	16.3%
Other mutual funds	4,483	3,788	695	18.3%
Owned mutual funds	**71,218**	**70,824**	394	0.6%
Partner funds, third party funds/liquidity in fund-based asset management	6,746	5,886	860	14.6%
Partner funds from direct sales	2,121	1,882	239	12.7%
Mutual funds and fund-based asset management	**80,085**	**78,592**	1,493	1.9%
Special securities funds	37,132	31,991	5,141	16.1%
Advisory/management mandates	8,566	7,670	896	11.7%
Advisory from master funds	7,318	8,642	–1,324	–15.3%
Special funds and mandates	**53,016**	**48,303**	4,713	9.8%
Assets under management AMK	**133,101**	**126,895**	6,206	4.9%
For information purposes:				
Fund assets – mutual funds AMK (according to BVI)	**90,476**	**89,634**	842	0.9%
Fund assets – special funds AMK (according to BVI)	**54,576**	**49,272**	5,304	10.8%

In mutual funds and fund-based asset management, the volume of assets managed increased by €1.5bn in the course of the year to €80.1bn. The share of equity funds in the total volume exceeded 22%, as was also the case in the previous year. The weighting of mixed funds rose by almost two percentage points to approximately 15% in the year under review. In contrast, at 42%, the share of bond funds (including near-money market bond funds) was slightly down (previous year: 44%). Special funds and mandates recorded a sharp increase in assets under management, which totalled €53.0bn (year-end 2011: €48.3bn).

Fund performance

The high quality of AMK's fund management was reflected by a stronger performance in the reporting year. As at year-end 2012, around 51.2% of equity funds and 94.9% of bond funds outperformed their respective benchmarks. The share of above-average fund ratings (Morningstar) amounted to 19.1% for equity funds and 42.6% for bond funds.

The funds in the Deka-BasisAnlage series played to their strengths in all market phases. In difficult market phases, the funds benefited from the firmly integrated risk management model. During the upward movements in the second half of the year, active management played a greater role via the share of investments which offer promising opportunities. Investments in the Deka-Vermögenskonzept (Deka Wealth Concept) on the part of the savings bank customers also achieved an attractive performance in all risk categories.

In the Scope Investment Awards 2012, Deka Investment GmbH received the top award in the category of Asset Manager Bond Funds. The reason Scope stated for voting Deka Investment GmbH as the best bond fund house was the asset manager's "high level of expertise and many years of experience in the segment of fixed-income investments", which according to Scope is reflected "in the comprehensive range of high-quality products".

Profit performance in the AMK business division

Although AMK's economic result was slightly down on the previous year from €300.4m to €295.3m, the forecast was significantly exceeded. AMK therefore once again made the largest contribution to the DekaBank Group's economic result.

The main reason for the profit performance as compared with the previous year was the lower portfolio-related commission in investment fund business, which had an impact in the first half of 2012 in particular. Commission from banking business, including custodian bank fees, was also down on the previous year's figure. Overall, net commission income decreased by 6.5% to €671.0m (previous year: €717.6m).

Some of the losses were compensated by the 67.8% increase in other income to €34.9m (previous year: €20.8m). After the negative valuation effects from start-up financing recorded in the previous year, a positive amount was reported in the year under review. Net interest income was also up on the previous year's level.

Administrative expenses decreased from €437.3m in the previous year to €403.7m in financial year 2012. Lower project and operating expenses impacted primarily on this figure. Unscheduled provisions for restructuring expenses relating to the new strategic direction of Deka(Swiss) were absorbed by comprehensive cuts in expenses (Fig. 6).

AMK profit performance *(Fig. 6)*

€m	2012	2011	Change	
Net commission income	671.0	717.6	−46.6	−6.5%
Other income	34.9	20.8	14.1	67.8%
Total income	**705.9**	**738.4**	−32.5	−4.4%
Administrative expenses (including depreciation)	403.7	437.3	−33.6	−7.7%
Restructuring expenses	6.9	0.7	6.2	(> 300%)
Total expenses	**410.6**	**438.0**	−27.4	−6.3%
Economic result	**295.3**	**300.4**	−5.1	−1.7%

Business development and profit performance in the AMI business division

Once again in 2012, AMI was one of the successful providers in a sector environment that has seen further consolidation due to the problems of several market players. The DekaBank Group benefited disproportionately from the strong demand for property investment, extending its position as the market leader in Germany. The comfortable level of liquidity in the funds and their positive performance, which stem in part from consistently leveraging buying and selling opportunities, were key factors in sales and marketing. Net sales also outstripped the previous year's figure in institutional business. In commercial property finance, the external placement ratio increased significantly, while new business volumes largely remained stable.

Net sales performance and assets under management

With net sales of €1.6bn, AMI surpassed the previous year's figure (€1.0bn) by 64.1% (Fig. 7). As a result of the positive sales and performance, assets under management in the business division increased by 4.7% to €25.2bn (previous year: €24.1bn).

AMI sales performance *(Fig. 7)*

€m	2012	2011
Mutual property funds	1,313	732
Property funds of funds	–11	–6
Special funds (including credit funds)	215	200
Individual property funds	67	39
Net sales AMI	**1,584**	**965**
of which to institutional investors	447	369
For information purposes:		
Net funds inflow AMI (according to BVI)	**1,289**	**914**

In open-ended mutual property funds, the management of sales via limited sales quotas and the buying and selling policy aligned with them proved their worth once again. The sales quotas agreed on with the sales partners were almost fully utilised. Net sales in mutual property funds totalled €1.3bn (previous year: €0.7bn), of which €1.1bn was attributable to retail funds (previous year: €0.6bn). Around one-third of this figure relates to the reinvestment of distributions, which affirms the enduring confidence that investors have in the stability of the open-ended property funds offered by Deka Immobilien Investment and WestInvest. The bulk of net sales was attributable to Deka-ImmobilienEuropa, which, with its high share of prime properties in Germany, met with brisk demand on the part of private investors.

Despite moderately higher distributions, assets under management in the open-ended mutual property funds increased by 4.1% to €21.4bn (previous year: €20.5bn) (Fig. 8). In terms of fund assets according to the BVI, AMI's market share improved to 26.0%, thereby strengthening its leading position.

Assets under management AMI *(Fig. 8)*

€m	31.12.2012	31.12.2011	Change	
Mutual property funds	21,361	20,529	832	4.1%
Property funds of funds	76	89	–13	–14.6%
Special funds (including credit funds)	2,985	2,646	339	12.8%
Individual property funds	816	836	–20	–2.4%
Assets under management AMI	**25,238**	**24,100**	1,138	4.7%
For information purposes:				
Fund assets AMI (according to BVI)	**23,788**	**22,666**	1,122	5.0%

At €447m, AMI's net sales in institutional business were up on the previous year (€369m). The open-ended property fund WestInvest ImmoValue, which is available for the savings banks' own investments, and the single-sector funds of the TargetSelect series accounted for €351m of this figure (previous year: €205m). The special and individual funds, which operate with smaller funds volumes, attracted net fund inflows of €96m (previous year: €164m). There was buoyant demand from savings banks, insurance companies and public sector pension associations for the distribution and tax-optimised products in the Domus series, which will not be reflected in an increase in net inflows in the newly launched "Domus-Deutschland" fund until the years to come.

With assets under management in the amount of €5.1bn (previous year: €4.5bn), AMI remains well on the way to expanding its market position in institutional business and servicing a growing share of the high demand by institutional investors.

Fund performance

AMI's open-ended mutual property funds achieved an average volume-weighted yield of 2.4%, which was on a par with both the market average and the previous year. Despite the decrease in liquidity investment owing to market interest rates, the level matched that of 2011 and the liquidity ratio varied only marginally from the previous year's figure. Compared with the risk profile and return offered by other investment products, AMI's retail funds represent an attractive investment.

The active buying and selling policy of the AMI division made a significant contribution to the performance of the funds. At €3.7bn, the transaction volume was substantially higher than in the previous year (€1.3bn). Of this amount, €2.3bn, or 62.2%, related to the acquisition of property. Deka Immobilien secured contracts for the purchase of 21 properties in the reporting year, once again making it one of the biggest European property investors. Moreover, as part of its anti-cyclical management strategy, AMI ensured significant sales proceeds for the funds from targeted disposals. Properties sold by Deka Immobilien included an office building in Vancouver which had increased considerably in value since its acquisition during the financial market crisis in 2009.

The letting ratio was able to build on the previous year's high volume. The vacancy rate is up slightly on the level of the previous year.

As a result of both transactions and modernisation measures, the share of property holdings certified as sustainable increased from 16% in 2011 to 24% in 2012. This underscores the importance of sustainability aspects for the long-term performance of the portfolio.

Real Estate Lending

Real Estate Lending (REL) continued to concentrate on risk-aware lending with a consistent focus on capital market viability. In addition, loans were granted to the Bank's own or third party property funds which are governed by the German Investment Act.

The volume of new business arranged in 2012 totalled €3.1bn and was therefore just slightly below the previous year's figure (€3.4bn). The total volume included extensions in the amount of €0.6bn (previous year: €0.3bn).

At €1.8bn, the volume of loans placed with third parties again exceeded the high level of the previous year (€1.5bn). Over half of these loans were successfully granted to the *Sparkassen-Finanzgruppe*.

The gross loan volume amounted to €7.7bn by year-end 2012 (end 2011: €7.4bn). Commercial property financing accounted for a share of €5.7bn and property fund financing for €1.6bn. The volume of financing for public sector construction projects, a segment which is being phased out, amounted to €0.4bn.

At year-end, the average rating in the portfolio according to the DSGV master scale stood at 7 (corresponds to BB in the S&P rating scale), including the portion secured by collateral with a rating of 4 (BBB–).

Profit performance in the AMI business division

With an economic result of €87.9m, AMI topped the previous year's figure of €79.0m.

Driven by volume and margins, net interest income increased by 17.2% to €83.8m (previous year: €71.5).

Provisions for loan losses amounted to €–22.4m (previous year: €–24.6m). In 2012, the reversal of risk provisions that were no longer required was more than offset by additions for a pre-crisis financing in the Asia region.

At €179.8m, AMI's net commission income outstripped the previous year's figure (€160.9m) by 11.7%. Despite the difficult market environment, net commission income in investment fund business increased by 8.6% to €154.7m. Net commission income from property finance of €25.1m exceeded the previous year's already strong figure by 36.4%.

Administrative expenses remained virtually stable at €130.4m (previous year: €127.6m) (Fig. 9).

AMI profit performance *(Fig. 9)*

€m	2012	2011	Change	
Net interest income	83.8	71.5	12.3	17.2%
Provisions for loan losses	–22.4	–24.6	2.2	8.9%
Net commission income	179.8	160.9	18.9	11.7%
Net financial income	–14.7	–6.2	–8.5	–137.1%
Other income	–8.6	5.7	–14.3	–250.9%
Total income	**217.9**	**207.3**	10.6	5.1%
Administrative expenses (including depreciation)	130.4	127.6	2.8	2.2%
Restructuring expenses	–0.4	0.7	–1.1	–157.1%
Total expenses	**130.0**	**128.3**	1.7	1.3%
Economic result	**87.9**	**79.0**	8.9	11.3%

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

The C&M division can look back on a successful 2012 overall. The Markets sub-division significantly increased its market share and earnings in customer business compared with the previous year. Among other factors, C&M benefited here from the upturn in demand on the part of savings banks for bonds as well as share-based and structured products. The tightening of credit spreads over the year also had a positive impact on the business volume and earnings position. The required provisions for loan losses considerably curbed the result. Earnings in the Treasury sub-division also substantially outstripped the previous year's figure.

Business development in the C&M business division

Markets

In the first half of the year, the STP unit especially benefited from the sharp rise in repo/lending activities in a volatile market environment. However, given the oversupply in the market owing to unlimited ECB allotments, customer demand for liquidity declined again over the course of the year. In this challenging market environment, STP succeeded in further strengthening its customer business via the trading platform. In conjunction with the expansion of the derivatives platform, a large number of contacts with savings banks resulted in an increase in business, including in anticipation of future regulatory requirements. The broad-based market recovery and tightening of bond spreads that started mid-year also led to an upturn in customer activity.

The higher contribution to earnings by the S&T unit was due to strong demand on the part of institutional customers for *Pfandbriefe*, foreign covered bonds and corporate and country bonds, as well as to growth in product structuring. The intensified cooperation and conservative risk management of the trading units had a positive impact on customer business.

Overall, development in commission business was virtually stable. As a result of the decline in volatility, trading in listed derivatives was slightly below expectations. The downturn in ETF-related business was largely compensated by increased volumes in equities trading. Although the ETF market recorded inflows, from which EFTlab's equity and bond-related products also benefited, sales of trading-oriented products to customers were lower than the forecast figures due to the decrease in volatility. Preparations to integrate ETFlab in the AMK business division as at the start of 2013 were completed.

Credits

Refinancing for the savings banks was once again a central element of the business activities in the Credits sub-division in 2012. The gross loan volume decreased as planned to €23.3bn at the end of 2012 (end of 2011: €26.8bn); of this figure, refinancing for savings banks accounted for €11.3bn, or around 48%. In addition, Credits restricted itself to transactions for which placement is already ensured for significant portions when the deal is closed. Consequently, the sub-division is active in infrastructure financing and is supporting the "energy reform" in Germany. Some of the infrastructure credit assets were externally placed in the Deka Infrastrukturkredit credit fund. The current restrained outlook for the global trading volume necessitated extensive additions to provisions for loan losses, especially with regard to shipping finance, which put a strain on earnings. Activities in aircraft finance and ECA-covered export financing were in line with the forecast.

Treasury

In an environment of historically low market interest rates and extensive market liquidity, Treasury successfully rose to the challenge of ensuring adequate liquidity at all times with an appropriate return and high portfolio rating, and made a stronger contribution to earnings than in the previous year. The rise in the gross loan volume from €20.0bn (end of 2011) to the present level of €22.4bn reflects the establishment of an additional strategic liquidity reserve, which was also prompted by regulatory requirements.

Profit performance in the C&M business division

With an economic result of €207.2m, the division accounted for a major share of the increase in earnings at the Group level and significantly surpassed the previous year's figure of €16.5m. The main factors here were improved net interest income and a strong rise in the financial result from trading book portfolios.

Net interest income stood at €273.2m, up 57.3% on the respective figure for 2011 (€173.7m). Despite difficult market conditions, considerably higher net interest income was generated from liquidity investment than in the previous year. Alongside Markets and Treasury, net interest income in Credits also posted a year-on-year increase.

At €–158.1m, risk provisions were close to the previous year's figure of €–176.3m. Provisions for loan losses amounting to €–163.3m essentially relate to net additions to specific valuation allowances. In contrast, risk provisions for securities (lar and htm) were slightly positive at €5.2m, since, unlike the previous year (€–78.0m), no material impairments were required for bonds from southern European countries. Furthermore, some of the valuation allowances recognised in 2011 were reversed in the reporting year in the course of the sale of southern European bonds, resulting in the above-mentioned earnings.

The decrease in net commission income to €94.6m (previous year: €99.6m) is particularly due to the lower contribution from commission business. In lending business, net commission income was slightly above the previous year's figure despite substantial restraint in new business.

Net financial income, which includes the trading book and banking book positions as well as the afore-mentioned risk provisions, climbed to €290.8m (previous year: €127.5m). The main reason here was considerably higher earnings contributions from the STP trading book, bond trading and structured trading products.

Administrative expenses increased by 5.6% to €286.1m (previous year: €271.0m). Higher project expenses, including in connection with the IT mission, were countered by a slight decline in operating expenses (Fig. 10).

C&M profit performance *(Fig. 10)*

€m	2012	2011	Change	
Net interest income	273.2	173.7	99.5	57.3%
Provisions for loan losses	–163.3	–98.3	–65.0	–66.1%
Net commission income	94.6	99.6	–5.0	–5.0%
Net financial income[1)]	290.8	127.5	163.3	128.1%
Other income	–1.4	–15.0	13.6	90.7%
Total income	**493.9**	**287.5**	206.4	71.8%
Administrative expenses (including depreciation)	286.1	271.0	15.1	5.6%
Restructuring expenses	0.6	0.0	0.6	n/a
Total expenses	**286.7**	**271.0**	15.7	5.8%
Economic result	**207.2**	**16.5**	190.7	(> 300%)

[1)] Net financial income 2012 includes risk provisions for securities in the lar and htm categories in the amount of €5.2m (2011: €–78.0m).

Business development and profit performance in non-core business

In non-core business, DekaBank continued to pursue its strategy of reducing the portfolio whilst safeguarding assets. The gross loan volume of lending business and credit substitute transactions, which do not represent core business, decreased to €4.3bn as at the 2012 reporting date (end of 2011: €5.2bn). This development also helped to limit risk assets at the Group level.

With regard to capital market credit products, the decline in volume was especially steep. In addition to the final maturity of several products, this was due to the sale of securitisation positions and southern European government bonds. At year-end 2012, the volume stood at €1.3bn (end of 2011: €1.7bn). At the end of the year, the volume of the loan portfolio still stood at €2.4bn (end of 2011: €2.7bn), while the portfolio attributable to the former Public Finance sub-division decreased to €0.6bn (end 2011: €0.8bn).

At €101.1m, the economic result was substantially up on the previous year's figure (€15.6m) and also exceeded the forecasts. The main reason was the rise in the valuation result for capital market credit products to €79.2m, which is primarily due to spread tightening; the reverse situation applied in the previous year when widening credit spreads adversely affected the valuation result (€–30.1m). At €4.9m, administrative expenses were again below the previous year's low figure (€7.8m) and particularly reflect the reduced scope of services offered by other business divisions (Fig. 11).

Profit performance of non-core business *(Fig. 11)*

€m	2012	2011	Change	
Net interest income	35.8	48.0	–12.2	–25.4%
Provisions for loan losses	–9.2	5.2	–14.4	–276.9%
Net commission income	0.7	0.4	0.3	75.0%
Net financial income	78.7	–30.1	108.8	(> 300%)
Other income	0.0	0.0	0.0	n/a
Total income	**106.0**	**23.5**	82.5	(> 300%)
Administrative expenses (including depreciation)	4.9	7.8	–2.9	–37.2%
Restructuring expenses	0.0	0.1	–0.1	–100.0%
Total expenses	**4.9**	**7.9**	–3.0	–38.0%
Economic result	**101.1**	**15.6**	85.5	(> 300%)

Financial position and assets and liabilities

Balance sheet changes

Compared with the previous year, the total assets of the DekaBank Group decreased by 3%, or €4.0bn, to €129.7bn (Fig. 12). The total amount due from banks and customers was around 49% of total assets and fell by €8.2bn to €63.0bn during the period under review. The decline is due to a downturn in money transactions and lower claims arising from loans and promissory note loans. Financial assets valued at fair value through profit or loss increased slightly to €58.1bn (previous year: €56.5bn) and accounted for around 45% of the total assets.

Balance sheet changes in the DekaBank Group *(Fig. 12)*

€m	31.12.2012	31.12.2011	Change	
Balance sheet total	**129,744**	**133,738**	–3,994	–3.0%
Selected items on the assets side:				
Due from banks and customers	62,960	71,200	–8,240	–11.6%
Financial assets at fair value	58,101	56,540	1,561	2.8%
Financial investments	4,226	4,517	–291	–6.4%
Selected items on the liabilities side:				
Due to banks and customers	61,024	57,287	3,737	6.5%
Securitised liabilities	27,376	25,278	2,098	8.3%
Financial liabilities at fair value	34,956	44,519	–9,563	–21.5%

On the liabilities side, amounts due to banks and customers rose overall by €3.7bn to approximately €61.0bn, and accounted for 47% of liabilities on the balance sheet. The primary determining factor here was a rise in the volume of securities repurchase transactions. Financial liabilities valued at fair value dropped by €9.6bn to €35.0bn, mainly due to reduced activities in securities trading business (€–2.0bn). Furthermore, the market values of derivative financial instruments included in this position were down on the previous year by €7.6bn to €22.6bn. At year-end 2012, on-balance sheet equity was up slightly on the previous year at €3.6bn. This figure does not include silent capital contributions which, in accordance with IFRS, are not reported under equity but instead under subordinated capital or atypical silent capital contributions.

Change in regulatory capital

The DekaBank Group's capital and reserves in accordance with the German Banking Act (KWG) amounted to approximately €3.8bn as at 31 December 2012 and were thus marginally below the previous year's figure (€3.9bn); (Fig. 13). The increase in the regulatory figures in the reporting year is due to the decline in risk-weighted assets. The regulatory capital and reserves are established on the basis of the individual financial statements of the companies included in the scope of consolidation, taking into account the relevant national accounting regulations, and therefore differ from equity under IFRS. The DekaBank Group's capital and reserves consist of core capital and supplementary capital. Currently, core capital includes silent capital contributions (€552m), which essentially have a permanent character.

Breakdown of equity in the DekaBank Group *(Fig. 13)*

€m	31.12.2012	31.12.2011	Change
Core capital	3,301	2,908	13.5%
Supplementary capital	535	1,015	–47.3%
Tier III capital	–	–	n/a
Capital and reserves	**3,836**	**3,923**	–2.2%
Default risks	15,813	16,988	–6.9%
Market risk positions	6,088	6,363	–4.3%
Operational risks	1,710	1,788	–4.4%
Risk-weighted assets	**23,611**	**25,139**	–6.1%
%			Change %-points
Core capital ratio	**14.0**	**11.6**	2.4
Core tier 1 capital ratio (excluding silent capital contributions)[1]	**11.6**	**9.4**	2.2
Equity ratio	**16.2**	**15.6**	0.6

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

Capital adequacy is determined in accordance with the Solvency Regulation (SolvV). In addition to default risks and market risk positions, amounts for operational risks are taken into account when calculating capital adequacy. The capital and reserves requirements under banking supervisory law were complied with at all times throughout 2012, both at the Bank and Group level. Silent capital contributions are not included when calculating the core tier 1 capital; these are not covered by the scope of the transitional arrangements under Basel III and are no longer available as core tier 1 capital. Accordingly, the core tier 1 ratio amounted to 11.6% at year-end 2012.

Liquidity and refinancing

Since the reporting year, DekaBank, as a capital market-oriented bank, has had to comply with the requirements for liquidity management under the MaRisk (Minimum Requirements for Risk Management), which was amended at the end of 2010. These requirements stipulate that banks must have sufficient funds and highly liquid assets that are eligible as security for central bank borrowing, enabling them to bridge a short-term refinancing requirement in a stress scenario for a minimum of one week. For a period of at least one month, further components of the liquidity reserve may be used, provided that they can be turned into cash without significant loss in value and regulatory requirements are complied with. We have more than fulfilled both requirements.

The new MaRisk stipulations have been introduced in the context of the future liquidity and refinancing requirements under Basel III. We have been monitoring the corresponding ratios since financial year 2010. The liquidity coverage ratio (LCR) is aimed at ensuring that the highly liquid liquidity reserve corresponds, as a minimum, to the net outflow of cash in a stress period lasting 30 days. The ratio is to be introduced in stages over the period 2015 to 2019. The time horizon for the net stable funding ratio (NSFR) is one year and is intended to lead to a balanced maturity structure for assets and liabilities. This ratio is scheduled to be introduced as a minimum parameter in 2018.

DekaBank's liquidity ratio in accordance with the Liquidity Directive that is still mandatory in Germany stood at between 1.2 and 1.6 in the reporting year and exceeded the minimum requirement of 1.0 at all times.

Employees

Changes in the staff complement

The number of employees increased slightly in the financial year to 4,040 (end of 2011: 3,957). In terms of full-time equivalents, the number of employees rose by 1.9% to 3,506 (end of 2011: 3,441).

At 3,520, the number of positions filled was up 3.0% on the previous year. The increase was partly due to the recruitment of new staff in the AMI business division required to meet tighter regulatory requirements regarding property valuation and management. Furthermore, the intensification of sales support necessitated an increase in the number of local sales directors in Savings Banks Sales. The staff complement was also higher than in the previous year in the Group COO Corporate Centre, as well as in IT and Organisation.

On average for the year, 84.0% (previous year: 84.4%) of the staff employed were in full-time posts. The average employee age was 44.8 years (previous year: 44.1 years).

Key areas of action in the reporting year

Further development of remuneration system

The revised remuneration system, which was implemented in the previous year in line with the requirements of the Remuneration Ordinance for Institutions, has proven its worth. The flexible system facilitates success and performance-based remuneration in line with market conditions. Performance assessments are now linked more closely with the targeted development plans. In the current year, the employee performance reviews were supplemented by an assessment of staff potential, which in conjunction with the performance assessment should result in even more individually tailored development plans.

In addition, DekaBank is also working to further develop its remuneration system in line with regulatory requirements, particularly with regard to the Bank's risk-relevant employees.

Leadership initiative

At the start of 2012, DekaBank adopted eight management principles (Common Understanding of Leadership and Management), which were established throughout the Group in the reporting year. The overriding objectives of the management initiative are to specify understandable and practical definitions of goals and responsibilities that are accepted by the employees, design efficient decision-making structures and processes, and to create a cooperative climate based on trust. Using three formats aimed at management teams, individual managers as well as team leaders and employees, staff at different levels have addressed the issue of the management principles. By the year-end, more than one in two managers and one in five employees had participated in a workshop or individual meeting and developed measures. Preparations are underway for comprehensive feedback processes and further measures in 2013.

Promoting young talent and personnel marketing

Through its personnel marketing campaign, which was revised in the previous year, DekaBank positions itself as an attractive employer and uses its web-based career portal, among other channels, to raise its profile among candidates at different hierarchical levels.

Along with investment fund sales staff and commercial staff for office communications, DekaBank trains students enrolled in the Applied Information Technology (BSc) dual study course in cooperation with the Baden-Württemberg Cooperative State University. In 2012, 13 trainees successfully completed their training in the DekaBank Group. Two students also graduated from the dual study course. In addition, DekaBank offers employees the opportunity to study for bachelor degrees alongside their job and supports employees who are studying to earn a degree in investment management (*Investmentfachwirt/Investmentfachwirtin*) at the Frankfurt School of Finance & Management.

Comprehensive HR programmes

The proven concept of a life stage-based HR policy, which covers all phases from career choice to retirement from professional life, once again served as a guideline for many measures relating to health management, equal opportunities and family-friendly policy in 2012. The concept is explained in detail in the annual sustainability report.

Work-life balance

The options to promote work-life balance were also further developed in the reporting year.

For the third time, DekaBank received the "berufundfamilie" quality seal, awarded under the auspices of the German Federal Minister of Family Affairs and the German Federal Minister of Economics, for the options the Bank offers to promote a better work-life balance. The certification was preceded by a comprehensive re-audit conducted in the previous year; this comprised a detailed evaluation of the framework conditions and their establishment as part of the Bank's corporate culture, with new targets agreed on the basis of this evaluation.

Health management

DekaBank has implemented an up-to-date health management system which is firmly integrated in the processes of the Bank. The central pillars are movement, nutrition, medicine/prevention and mental health. In 2012, DekaBank was once again awarded the *Exzellenz* seal in the Corporate Health Awards. To raise awareness of the issue of mental health, workshops have been offered for managers and employees since 2012.

Diversity

In line with its code of ethics, DekaBank is committed to equal career opportunities for men and women and continually enhances the general conditions which enable employees to further improve their work-life balance.

A particular focus here is to increase the proportion of women in management positions. The new equal opportunities plan adopted in financial year 2012 is aimed at ensuring that one in five management positions and one in four non-pay-scale (non-tariff) positions will be held by a woman in future. The top management was involved in defining the specific targets and measures for the respective areas of responsibility and is in charge of the implementation. At the end of 2012, the proportion of women in management positions was 15.9% (end of 2011: 15.5%).

Post balance sheet events

In January 2013, the Administrative Board of DekaBank appointed Martin K. Müller, currently a member of the Management Board of Landesbank Berlin, as an additional member of DekaBank's Management Board with probable effect from 1 April 2013. Martin Müller will assume the newly created combined Management Board role for all financial and operating functions (CFO/COO) and for the Treasury at the fully-fledged securities service provider of the savings banks. The appointment was made in connection with the planned consolidation of the customer-oriented capital market business and Asset Management under the umbrella of DekaBank.

Martin Müller will take over responsibility for Treasury and Finance from Dr. Matthias Danne, who has been in charge of these areas in addition to his duties as the Management Board member with responsibility for the Asset Management Property and Lending business division. As COO, the new Management Board member will also be taking over responsibility for operations from Dr. h. c. Friedrich Oelrich, who in turn will be focusing on risk control and risk monitoring tasks in the future in his capacity as Chief Risk Officer (CRO).

With this reassignment of responsibilities, DekaBank is already implementing at an early stage the more stringent requirements specified by the BaFin with respect to anchoring risk control at the organisational level. As at 2014, the new requirements will be mandatory for all major financial institutions. Michael Rüdiger, CEO, Oliver Behrens, Deputy Chairman, and Dr. Georg Stocker, Sales and Marketing Director, will continue to sit on the Management Board of DekaBank.

No other major developments of particular significance occurred after the 2012 balance sheet date.

Forecast report

Forward-looking statements

We plan our future business development on the basis of assumptions that seem the most probable from today's standpoint. Despite this, however, our plans and statements about growth during the next two years are fraught with uncertainties, more so than ever in the current market environment.

The actual trends in the international capital, money and property markets, and in the DekaBank business divisions, may diverge markedly from our assumptions, which are partly based on expert estimates. For the purpose of providing a balanced presentation of the major opportunities and risks, these are broken down according to business division. In addition, the risk report included in the Group management report (see page 46 et seq.) contains a summarised presentation of the DekaBank Group's risk position.

Anticipated external conditions

Expected macroeconomic trends

Economic conditions will continue to be subject to a high level of uncertainty in 2013 and beyond. Despite the stabilisation of the financial system following the announcement of the ECB's bond programme, structural problems in the eurozone have yet to be resolved and there is no certainty about whether the adjustment processes in southern Europe will be successful. Additional risks arise from the fiscal dispute in the USA, which was merely postponed in January 2013. If a long-term solution is not found, there is a risk that the already modest economic growth will slow down as a result of tax increases and spending cuts.

At the same time, there are growing signs of a slight improvement, regardless of the high debt burden of countries, banks and private households. According to DekaBank's expectations, global economic growth will pick up somewhat in 2013. The emerging markets, led by China and India, are the growth drivers. Conversely, the weak growth trend of 2012 is likely to continue in the industrialised countries, although the recession in the eurozone will ease. For Germany, DekaBank expects growth at approximately the previous year's level. DekaBank's economists anticipate a revival of investment activities starting in mid-2013 as well as increasing momentum generated by private consumption. In addition, government spending is set to rise at a slightly higher rate – as has been the case in almost every *Bundestag* election year in Germany.

In 2014, global economic growth may become more dynamic. Provided that the adjustment of balance sheets in the eurozone is a success, initial impetus for growth can be expected here as well starting in 2014, especially in view of the fact that the strategy of dealing with the crisis is now focusing more on growth than before.

Expected trends in the capital markets

Even if the factors which are generating uncertainty remain evident, DekaBank assumes that the financial and capital market environment will continue to stabilise. The ECB is expected to pursue its expansionary monetary policy and maintain the key interest rate at the current level. The correspondingly low money market interest rates and bond yields at the short end increase the extent of the real interest rate trap for savers, as the rate of inflation is anticipated to be higher given the sharp rise in the central bank money supply.

The improved financial market environment makes it likely that yields on German government bonds with long maturities, which were sought after in 2012 as a safe haven, will gradually increase again. However, DekaBank anticipates an overall muted growth trend for bond market yields – partly due to the low risk premiums on corporate bonds and *Pfandbriefe* as well as government bonds from the peripheral countries, which continue on a downward trend.

Uncertainty among investors remains considerable against the backdrop of price fluctuations for securities. Nevertheless, the equity markets may benefit from the fact that growth drivers are set to prevail more strongly starting in the second half of 2013. Furthermore, securities for the asset formation of private households are likely to play a more important role again, since they have become more attractive in the low interest rate environment as compared with other investment options. The DAX could reach the 8,000 point mark as early as mid-2013 and subsequently remain at that level until the end of the year.

Expected trends in the property markets

The office markets in Europe are having a delayed response to the economic downturn. Total income in 2013 will probably increase only slightly, although the safe havens such as Germany, Scandinavia and London are set to remain in demand. In Germany, a growth in rents is even likely. Accordingly, there are limits with regard to potential growth in top yields in these regions – unlike the situation in Spain and Portugal, for example. From 2014 onwards, prospects should slowly start to brighten again in the European rental markets. However, DekaBank does not expect a trend reversal before 2015 at the earliest. In addition to an economic recovery, such a trend reversal will also be contingent on improved financing conditions. Outside of Europe, the chances of achieving above-average yields have also diminished, given that purchase prices are already high.

At an European level, the most expensive shopping centres are located in Germany, France and Sweden. Consequently, yield opportunities are also limited here. Germany's major cities have already reached a high degree of saturation, so that project developments are currently focusing on medium-sized cities with a large catchment area. Growth in rents is expected to slightly accelerate again starting in 2013.

With regard to the European hotel markets, we expect a largely steady trend following the recovery of 2012. Demand for logistics space is likely to remain high in the European core countries. In view of the comparatively low volume of new construction, vacancy rates are hardly expected to rise. Locations where the supply is limited will probably record growth in rents.

Expected business development and profit performance

Overall, DekaBank does not anticipate a far-reaching improvement in the general conditions for its asset management and capital market activities. As private investors continue to adopt a safety-oriented approach and are barely registering the slow but steady erosion of assets resulting from the real interest trap, no substantial impetus from the demand side is expected for the investment fund business. Marked by a surplus supply of liquidity as well as low market interest rates and bond yields, the capital market environment has an additional dampening effect on income planning in capital market business.

According to the current planning status, the DekaBank Group's income will not therefore quite match the 2012 figure. In particular, net interest income is expected to be down on the figure for the reporting year in light of the ongoing low interest rate level and the restriction on risk-weighted assets. With regard to net commission income, DekaBank forecasts an almost steady trend, which is partly due to the higher level of assets under management recorded in 2012. The risk provisions and a modest reduction in administrative expenses are set to have a positive impact on the earnings position. DekaBank intends to decrease administrative expenses through strict cost discipline and lower project expenses for the IT mission. The additional expenses in connection with the D18 transformation programme result from an intensification of sales-related activities, including the creation of additional jobs for on-site support in the savings banks and development of the retail certificate business. The first key results from the campaigns launched as part of the transformation programme are expected as early as 2013.

Our overall aim for 2013 is to achieve an economic result that is almost at the previous year's strong level. The extent to which this will be possible in view of the economic conditions and capital market situation remains to be seen. Our goal is to generate modest growth from 2013 onwards.

AMK business division

AMK will consistently implement its divisional business strategy (see page 18) and thus continue to make a significant contribution to the economic result. Key measures relate to the optimisation and further development of the range of products and services, focused and intensified sales support as well as the expansion of institutional business.

Net sales are set to be positive – this also applies without the inclusion of the ETF activities included since early 2013 – and therefore significantly exceed the previous year's figure. ETF business, which is included in AMK for the first time, will be cautiously expanded.

An economic result slightly below the 2012 figure has been budgeted. This is partly attributed to higher expenses in connection with sales support. Starting in 2014, the economic result is expected to increase again.

Risks arise, in particular, from a possible shortfall in terms of the assumptions regarding the capital market environment. A renewed worsening of the debt crisis in the eurozone may result in capital market distortions and subsequent funds outflows. Increasingly complex regulatory requirements may also have a negative impact on business development and profit performance. Opportunities are set to emerge, particularly from the savings banks switching to the new association-wide advisory process as well as higher than forecast demand from investors for securities investments against the backdrop of the real interest rate trap.

AMI business division

AMI will once again pursue its proven management of property funds in 2013. The funds sales coordinated with the savings banks as well as the buying and selling policy are closely aligned with the liquidity situation of funds and market conditions. Net sales of property fund units are expected to approximately match the high level achieved in 2012. Sales of open-ended mutual property funds will be flanked by an expansion of institutional business, which will also be based on new funds of funds and increased credit fund sales. AMI is planning a predominantly stable development of the economic result over the next years.

Real Estate Lending aims to stabilise the Bank's positioning in the most important global property markets. The goal here is an only moderate expansion of the volume through a continuing proactive approach in terms of external placement activities.

Risks with regard to future developments arise, for example, from the current low interest rate environment. It means that interest paid on the liquidity of funds is at a low level, which will affect fund performance across the sector for the foreseeable future, making property funds less attractive as compared with other investment options. Uncertainty about the trend in value and rents may prove to have an additional adverse effect, along with further regulatory intervention – such as the introduction of the capital investment code – and a general deterioration in capital market and property market conditions. Opportunities mainly arise from the high level of demand from investors for investments offering stable value, which property funds can particularly benefit from.

C&M business division

Markets will continue to focus consistently on customer-driven business. STP is actively contributing to shaping the trend towards central counterparties and standardised trading transactions. In commission business, DekaBank expects a steady development. With additional services based on the expanded trading platform and the role as general clearer for exchange traded derivatives, commission business delivers important elements of the future fully-fledged securities service provider. S&T will further expand business with the savings banks while also transferring its expertise in the issuance of certificates to the business with retail customers.

Credits will continue to focus on the narrowly defined credit segments and will only make selective new commitments. A very limited amount of capital is committed. The Bank's role as funding partner and co-investor of the savings banks will already be further strengthened in 2013. In the prevailing low interest rate market environment, Credits anticipates growing demand for loan participation and credit funds. Treasury will continue to centre on bank and liquidity management in the future.

The interest rate and liquidity situation in the market as well as lower spreads in the bond market make it rather unlikely that the high result achieved in 2012 will be repeated. In Credits, income growth is restricted by the limited amount of capital committed while Treasury focuses on the ability to readily convert investments into cash in the short-term rather than on maximising income. Overall, the business division forecasts a continuing upward trend in the economic result.

Risks in terms of future developments are associated with the potential deterioration of the market situation on the one hand, for example as a result of a worsening of the national debt crisis. This could have a negative impact on the valuation results related to banking book portfolios. On the other hand, risks arise from the adjustment of regulatory conditions. In this connection, the currently discussed financial transaction tax should be mentioned alongside with Basel III and CRD IV. Furthermore, the development of risk provisions could once again exceed the forecast figures and negatively affect the result.

Non-core business

In non-core business, DekaBank will pursue what has thus far proven to be a successful strategy: reducing the portfolio while safeguarding assets at the same time. In all three sub-segments (Capital Market Credit Products, Loan Portfolio and Public Finance), further reductions of the portfolio volume are envisaged in the coming financial years. Decisions regarding selling, holding or hedging specific positions will continue to be made on a case-by-case basis at regular intervals, taking into account the expected revaluation, default risk and contribution to net interest income.

Risk report

Risk policy and strategy

As a fully-fledged securities service provider of the savings banks, DekaBank aims to create sustainable added value. In light of this, the Bank's stable and competitive business model is being further developed on a continuous basis. At the same time, DekaBank remains focused on transactions with strictly limited risks.

In the scope of the long-term business strategy defined by the Board of Management as well as the risk strategies consistent with it, risk positions continued to be principally only entered into if they arise in connection with customer transactions and can be hedged in the market. In addition, risks are accepted if they are conducive to liquidity management or are required in order to leverage synergies in Asset Management. Based on this, DekaBank implements an appropriate risk/reward ratio in the long term, with the aim of achieving a sustained increase in corporate value.

The Bank uses a systematic strategic process to regularly review its Group-wide business strategy, management and structure, as well as the divisional and sales strategies in accordance with the Minimum Requirements for Risk Management (MaRisk), and to ensure that they are consistent, complete, sustainable and up-to-date. The process covers planning, implementation, evaluation as well as any adjustments to the strategies. Use of an appropriate design for the Group management and structure guarantees the translation of the business strategy into the business divisions.

The risk strategies defined for all material types of risk are derived from the corporate strategy for the Group and the strategies for the business divisions, and provide specific details regarding risk monitoring and management. They are also reviewed at least once a year, revised if necessary and discussed with the Administrative Board. In the course of this process, DekaBank takes into account both external as well as internal factors, the underlying assumptions of which are reviewed regularly and as necessary. In addition, the Administrative Board has established an Audit Committee, which periodically obtains a comprehensive overview of the risk management systems in the DekaBank Group and receives reports on the audit findings from Internal Audit. The Credit Committee, also established by the Administrative Board, acts as a committee for loan and credit approvals and, together with the Board of Management, provides advice on the business policy direction in the Group's lending business.

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

Organisation of risk management and control

Risk management

DekaBank perceives risk management as the active management of its risk positions (Fig. 14). The full Board of Management of the DekaBank Group plays a central role here: the Board is responsible for establishing, further developing and monitoring the efficiency of the risk management system. The full Board of Management approves the permissible overall risk at the Group level and stipulates what proportion of the allocated risk capital should be attributed to the respective risk types on the one hand and the business divisions on the other (top down view). In addition, the business divisions determine their budgeted capital requirement (bottom up view). Combining the two approaches ensures the most efficient allocation of the risk capital to the business divisions on an annual basis.

In due consideration of risk concentrations, DekaBank has specified limits (risk tolerances) for all material risks and has implemented consistent risk management. As part of a risk inventory, we review, on an annual basis and, if necessary, as required, which risks could have a significant negative impact on assets, including capital resources, earnings situation or liquidity. In this regard, all material risks and risk concentrations are taken into account. By having an efficiently structured and comprehensively documented risk inventory, the Bank ensures that an overview of the overall risk profile of the DekaBank Group is available at all times.

In the reporting year, DekaBank also created the Asset Liability Committee (ALCO), a new central committee which replaces and expands the function of the former Asset Liability Management Committee (ALMC). In addition to the overall control of market and liquidity risks, a function previously assumed by the ALMC, ALCO also supports the full Board of Management, particularly with respect to questions concerning capital allocation and balance sheet structure management. In addition to the department heads responsible for Treasury, Group Risk and Finance, the committee includes the heads of the Treasury and Markets sub-divisions as well as Corporate Centre Group Risk and Finance. The head of Macro Research also participates in the meetings as a permanent non-voting guest. The business divisions are then solely responsible for implementing the strategic guidelines.

The full Board of Management is also supported by the Stress Testing Committee as part of the overall assessment of the risk situation. The Stress Testing Committee is particularly responsible for the assessment and appraisal of the stress test results and is also fundamentally responsible for determining stress testing scenarios and processes. Regular members of the committee are the heads of Corporate Centre Group Risk, Finance and Strategy & Communication as well as the heads of the COO M&T, COO AMK, COO AMI, Risk Control and Macro Research units.

The C&M business division is responsible for the Group-wide management of credit risks. The Corporate Centre Credit Risk Office assumes the role of the administration office for the early identification of credit risks. This office is also responsible for the market-independent second recommendation, preparing and/or approving credit rating analyses and ratings, regularly monitoring credit ratings, checking specific items of collateral, setting up limits for specific borrowers as well as monitoring the transaction and processing management of non-performing and troubled loans.

To pool responsibilities for assessing country risks, it was also decided to establish a separate Country Risk Committee in which, amongst other things, the responsibility for an overall country risk system, the determination, authorisation and approval of country-specific limits and the quarterly review of any required country-specific valuation allowances are brought together. The members of the Country Risk Committee are the heads of the Corporate Centre Credit Risk Office and Group Risk, the head of the Macro Research unit and the heads of the business-related Real Estate Lending, Credits, Treasury and Markets units.

Organisational structure of risk management in the DekaBank Group *(Fig. 14)*

		Market price risk	Liquidity risk	Credit risk	Operational risk	Business risk	Property risk/ property fund risk	Shareholding risk
Administrative Board (or Audit Committee)	- Overview of current risk situation/risk management system - Discussion of strategic direction with Board of Management	●	●	●	●	●	●	●
Administrative Board (or Credit Committee)	- Loan approval committee - Discussion of the business direction in lending business with Board of Management			●				
Board of Management	- Determines strategic direction - Responsible for Group-wide risk management system - Sets return on equity target and allocation of risk capital to risk types and business divisions - Sets overall limit and approves limits within risk types	●	●	●	●	●	●	●
ALCO [1]	- Supports the Board of Management in matters relating to interest rate and FX management, liquidity and funding management, capital and balance sheet structure management - Proposes, introduces and monitors risk-mitigating measures in liquidity emergencies	●	●	●	●	●	●	●
AMK business division	- Conducts transactions in line with strategic guidelines			●		●		
AMI business division	- Conducts transactions in line with strategic guidelines			●		●	●	
C&M business division	- Conducts transactions in line with strategic guidelines	●	●	●				
	- Decisions within the framework determined by ALCO or the Board of Management	●	●					
	- Manages Group-wide credit risk			●				
Credit Risk Office (Corporate Centre)	- Administrative office for early risk identification - Market independent second recommendation - Reviews and/or approves ratings - Checks certain collateral - Monitors transaction management for non-performing and troubled loans			●				
Country Risk Committee	- Assesses country risks			●				
Monitoring Committee	- Monitors and manages exposure at risk of default			●				
Rating Committee	- Further develops and maintains internal rating procedures			●				
Risk control (Corporate Centre Group Risk)	- Development/update of system to quantify, analyse and monitor risks - Report to Board of Management and Administrative Board - Determines/monitors risk-bearing capacity - Monitors approved limits	●	●	●	●	●	●	●
Stress Testing Committee	- Assesses and appraises stress scenarios and stress test results - Specifies stress testing processes - Reports and makes recommendations for action to the Board of Management	●	●	●	●	●	●	●
Equity Investments (Corporate Centre Strategy & Communication)	- Manages equity investment portfolio							●
Compliance (Corporate Centre Legal Affairs)	- Monitors compliance with rules of conduct under capital market law and consumer protection in securities business				●			
Corporate Security Management (Corporate Centre IT/Org)	- Ensures IT security and is responsible for business continuity management				●			
DekaBank Group	- Identifies, measures and manages operational risks on a decentralised basis				●			
Internal Audit (Corporate Centre)	- Audits and evaluates all activities/processes (especially risk management system)	●	●	●	●	●	●	●

[1] ALCO = Asset Liability Committee (composition: Departmental Heads of Treasury, Group Risk, Finance; Head of Markets, Head of Treasury, Head of Corporate Centre Group Risk, Head of Corporate Centre Finance and Head of Macro Research as non-voting guest (AMK)).

The respective managers in the Group units are responsible for managing operational risks in their units. A detailed description of their risk management systems is provided under the individual descriptions of the different risk types.

Risk control

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

Risk reporting

Each quarter, the Board of Management and Administrative Board are provided with a risk report in accordance with the MaRisk. The risk report provides a comprehensive overview of the risk-bearing capacity as well as the main risk types. In addition, the Board of Management, ALCO and the main decision-makers are given report extracts containing key information both on the current risk situation and on the corresponding utilisation of the risk-bearing capacity on a daily or at least monthly basis, depending on the type of risk.

Internal Audit

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

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

New regulatory provisions

The BaFin specified the supervisory requirements for the risk-bearing capacity concepts of banks in guidelines on the supervisory assessment of internal bank risk-bearing capacity concepts, published at the end of 2011, as well as in the revised MaRisk, valid as of the start of 2013 (4th MaRisk amendment). Accordingly, in addition to the management approach mainly followed by means of corresponding adjustments and expansions, alternative points of view relating to continuation or liquidation perspectives must be accommodated as part of the risk-bearing capacity concepts. Furthermore, the 4th MaRisk amendment requires that each institution must implement both case-specific and inverse stress tests.

With a view to capital management, DekaBank initially pursues an approach based on the liquidation perspective (gone concern), which chiefly focuses on protecting creditors at all times, even in extremely rare risk situations. As a complementary measure, an approach based on the continuation perspective (going concern) was implemented in the course of 2012. In the liquidation approach, risks are quantified with strict risk dimensions provided for extremely rare loss events. In the continuation approach, risk monitoring is primarily carried out with regard to what extent the Bank can enter into risks without endangering its continued existence whilst at the same time adhering to supervisory constraints. Accordingly, the risk cover potential still available in the sense of „free" capital is taken into consideration when complying with predetermined capital ratios.

The new system for performing (macro-economic) stress tests across all risk types, which was already introduced in 2011, was continued and updated in the reporting year. Some scenarios were revised and aligned with the current market situation. As part of the risk-bearing capacity analysis, DekaBank continues to consider ten stress scenarios, which cover significant scenarios for the Bank and its portfolio and also comprise inverse stress tests. These are also being extended to include corresponding case-specific stress tests.

Overall risk position of DekaBank

Risk types and definitions

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

Market price risks

Market price risks describe the potential financial loss caused by future market parameter fluctuations and, in this context, comprise interest rate risk (including credit spread risk), currency risk and share price risk.

In line with DekaBank's business strategy, transactions mainly relate to customer transactions. Furthermore, these transactions are concluded in relation to liquidity management and to a small extent to the Bank's own portfolio (investment portfolio, liquidity reserve and trading portfolio). Overall, this should generate a sustained economic result for the Bank.

Both the strategic positions in the investment book and the more short-term positions in the trading book entail market price risks.

The investment companies in the DekaBank Group do not generally take any own market price risks outside of the investment funds. The exceptions to this are the minimal risks arising from short-term investment of own capital and risks from guarantee funds and Riester products.

Credit risks

Credit risk is essentially defined as the risk that a borrower, issuer or counterparty will not fulfil his contractually agreed-on services or will not fulfil them on time and that DekaBank will incur a financial loss as a result.

In principle, with regard to credit risk, DekaBank distinguishes between position risk and advance performance risk. The position risk comprises the borrower and issuer risk, which is assessed in particular by the creditworthiness of the respective contracting partner, as well as replacement risk and open positions. Advance performance risk represents the threat that a business partner will not pay the contractually agreed-upon consideration after advance performance rendered by DekaBank.

Losses which could arise for the Bank as a result of negative rating migrations of individual business partners or issuers are also part of the credit risk. These are predominantly taken into account within the scope of the credit portfolio model and considered when determining the risk-bearing capacity.

Credit risks arise primarily in the C&M business division and to some extent in the AMI and AMK business divisions.

Operational risk

Operational risk describes potential losses resulting from the use of internal processes and systems that are inappropriate or susceptible to failure as well as from human error and external events. This also includes changes to political and legal framework conditions. Where losses occur due to an error by the Bank, other risks (secondary risks) frequently arise as a consequence. Examples of such secondary risks include reputational and legal risks.

In contrast, business risks are not a component of operational risk.

Liquidity risk

Liquidity risk is understood as the risk of insolvency as well as the risk resulting from a mismatch of maturities in assets and liabilities. In terms of liquidity risk, DekaBank distinguishes between insolvency risk (liquidity risk in the stricter sense), liquidity maturity transformation risk and market liquidity risk.

Insolvency risk describes the risk that DekaBank cannot meet its current and future payment obligations on time. Insolvency risk therefore constitutes the risk that the Bank's obligations will exceed the available liquid funds at a specific point in time.

Liquidity maturity transformation risk describes the risk that arises from a change in DekaBank's own refinancing curve in the event of mismatches in the liquidity-related maturity structure. DekaBank observes and manages both risk definitions using the funding matrix. Limiting maturity bands ensures liquidity and refinancing forecasts and therefore minimises the liquidity maturity transformation risk.

Market liquidity risk is understood as the risk that transactions cannot be liquidated or closed out or can only be liquidated or closed out with losses due to inadequate market depth or market disruptions.

For DekaBank, insolvency risk is not an economic performance risk that can be covered by equity capital. Rather, liquid funds are to be used to ensure solvency.

Business risk

Business risk is particularly important in Asset Management. It comprises potential financial losses resulting from changes in customer behaviour, competitive conditions or the general economic and legal framework conditions. DekaBank considers all factors to be material if they unexpectedly have a negative impact on the earnings trend as a result of volume and margin changes and are not attributable to any of the risks described above.

Shareholding risk

DekaBank defines shareholding risk as the risk of a potential financial loss due to impairment of the portfolio of equity investments, insofar as they are not consolidated in the balance sheet and therefore already included under other types of risk.

Property risk

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

Property fund risk

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

Liquidity shortage risk

Liquidity shortage risk as a stress scenario describes the risk that in the event of an unexpectedly strong redemption of fund shares, the open-ended Deka property funds will not be in a position to satisfy the redemptions with their own liquidity.

Reputational risk

DekaBank also attaches great importance to reputational risk due to its specific business activity. Reputational risk includes the risk of losses, a decline in income or reduced company value as a result of loss events or other developments that diminish the trust of customers, business or sales partners, rating agencies or media in the Bank's competencies or products. Reputational risks are taken into consideration in corresponding stress scenarios as part of the overall evaluation of the risk-bearing capacity assessment.

Risk measurement concepts

Risk-bearing capacity in accordance with the liquidation approach

For the purposes of capital allocation, DekaBank primarily pursues an approach based on the liquidation perspective, which focuses chiefly on protecting creditors at all times in the notional event of liquidation. This requires the inclusion of even extremely rare risk situations.

As part of the liquidation approach, DekaBank determines its Group risk as a total across all significant risk types that have an effect on income. Group risk is measured as the amount of capital that with a high level of probability will suffice to cover losses from all of the main high risk positions within a year at any time.

DekaBank uses the value-at-risk approach (VaR) in order to quantify individual risks on a uniform basis and aggregate them as an indicator for Group risk. The calculation of the VaR with a holding period of one year is carried out for internal management with a confidence level of 99.9%, which is accordingly derived from the target rating or the business model of DekaBank.

The Group risk determined from the individual risk categories is matched by the risk cover potential. If this is consistently higher than the Group risk, i.e. if the utilisation level stands at less than 100%, the risk-bearing capacity of DekaBank is guaranteed at all times.

Corresponding to the liquidation approach, all capital components which in the hypothetical event of liquidation do not put strain on the senior creditor can be used. To assess the risk-bearing capacity on an additionally differentiated basis, DekaBank distinguishes between primary and secondary risk cover potential in line with the legal position of the investor.

The primary cover potential essentially consists of equity capital according to IFRS and the net income contribution for the year. The expected portfolio-related income components from Asset Management for the next twelve months as well as the accumulated net income for the year are taken into account in the reporting period. Furthermore, the capital components according to IFRS are adjusted for corresponding corrections, for example for hidden charges arising from securities in the investment book or positions such as goodwill.

The secondary cover potential also includes hybrid capital type positions; these comprise profit participation capital and subordinated liabilities – each with a remaining maturity of at least one year – as well as typical silent capital contributions.

The primary cover potential essentially forms the basis for internal management, whereas the secondary cover potential remains as an additional buffer for potential stress situations.

The risk-bearing capacity analysis is conducted monthly and the results are reported to the Board of Management in a timely manner. The Administrative Board is informed on a quarterly basis.

Risk-bearing capacity in accordance with the continuation approach

The aim of the continuation approach that has been additionally taken into consideration since 2012 is defined as the continuation of the Bank in accordance with predefined targets or minimum quotas with regard to regulatory capital requirements.

In principle, this means that risks can only be taken to the extent that capital components are not already committed due to compliance with the previously defined secondary conditions. The secondary conditions taken into account include both core tier 1 capital ratio of 10.5% as a warning threshold and a core tier 1 capital ratio of 9% as a threshold value. In contrast to the liquidation perspective, the risks in the continuation approach are considered based on the assumed continuation and intention to hold investments to maturity and with regard to the time horizon deemed relevant to risk management. In this context, DekaBank evaluates risks in the continuation approach at a confidence level of 95%.

Stress tests

In addition to the monthly risk-bearing capacity analysis, regular stress tests and scenario analyses are performed for all key market parameters, in order to assess the impact of extreme market developments. This ensures that the risk consideration and risk-bearing capacity are also guaranteed in situations which cannot be derived directly from statistical data. The analysis covers all individual material risk types such as market price risk positions (interest rate, credit spreads, share prices and exchange rates) as well as liquidity risk and credit risk. In the course of macro-economic scenarios, various combinations relevant for the Bank and its portfolio are regularly reviewed across all risk types with regard to their effect on the income and risk situation. In this context, reputational risk is also included in the corresponding stress tests.

The macro-economic stress tests quantified since 2011 and revised in 2012 overall cover both historical scenarios (for example for financial market crisis or terrorism risks) as well as hypothetical stress situations, for instance the default of a specific counterparty that is important for the Bank. Furthermore, "inverse" stress tests, in which specific manifestations are examined for certain scenarios that would lead to the risk-bearing capacity limit being reached, are also considered by DekaBank on an annual basis. All scenarios are regularly assessed in terms of their suitability and are supplemented by corresponding ad-hoc analyses upon request. The scenario results are approved quarterly by the Bank's Stress Testing Committee, against the background of the risk-bearing capacity as well. This allows fields of action to be identified as early as possible in the event of emerging crisis situations.

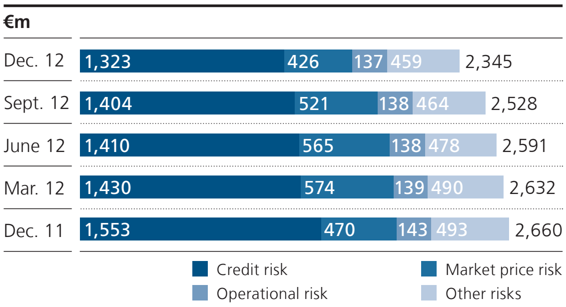
Overall risk position in financial year 2012

The risk models of DekaBank have mapped market developments promptly in this reporting year as well. The easing of tension in the financial and capital markets in the second half of the year is reflected by a decrease in market price risk and credit risk. In addition, the reduction in the volume of individual securities in the non-core business, whilst safeguarding assets at the same time, contributed to a lower risk level. The countervailing effect that resulted from the expansion of strategic liquidity reserves in the Treasury Investments unit was significantly overcompensated on the whole.

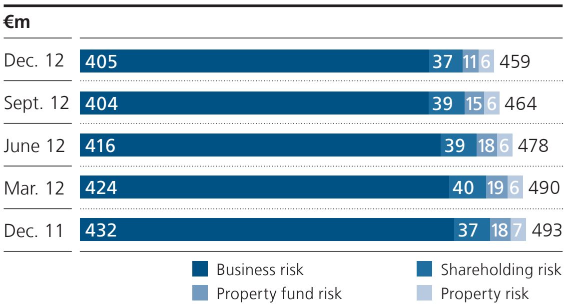
As at year-end, the utilisation of the risk cover potential in the management-relevant liquidation approach was 45.8%, compared with 56.7% at the 2011 reporting date, with regard to the overall risk-bearing capacity of the DekaBank Group. The primary risk cover potential was utilised to 60.9% (end of 2011: 77.8%).

Of Group risk totalling €2,345m (end of 2011: €2,660m), €2,040m (end of 2011: €2,372m) was allocated to core business and €404m (end of 2011: €434m) to non-core business (Figs. 15 and 16).

Change in Group risk over the course of the year *(Fig. 15)*



Change in Group risk over the course of the year – other risks *(Fig. 16)*



The decrease in Group risk is primarily attributed to credit risk, which stood at €1,323m (end of 2011: €1,553m) as at year-end. At the same time, lower migration risks, in particular, had an effect due to narrower risk surcharges in the various rating classes. Market price risks, which continued to increase towards mid-year due to higher spread volatilities, were lower than the previous year's level (€470m) at year-end, totalling €426m. Declining business risk was also a factor, whilst the other risks considered as part of the risk-bearing capacity changed only marginally.

In addition to the reduction of Group risk, the increase in the primary risk cover potential contributed significantly to lower utilisation. In the course of the year, primary risk cover potential increased by €428m, or 12.5%, to €3,849m, attributed amongst other things to higher retained earnings due to the partial retention of the 2011 consolidated profit.

In the macro-economic stress scenarios examined, the overall risk-bearing capacity was also ensured throughout the year. At the end of 2012, the forecasted utilisation rate of the overall risk-bearing capacity for year-end 2013 was below 90%, even at its peak.

In the continuation approach that has been additionally considered since 2012, the utilisation rate also appeared to be non-critical overall. Based on a risk with a confidence level of 95% and after the deduction of capital requirements, taking into account a core tier 1 capital ratio of 10.5% for core tier 1 capital, the utilisation rate totalled only 45.4% at year-end.

Market price risks

Risk management and monitoring

DekaBank's market price risk strategy stipulates the parameters for DekaBank's trading transactions and all other transactions entailing market price risk. It specifies the policy for the markets in which DekaBank operates, regulates responsibilities and the nature and extent of the transactions carried out and also provides specifications for risk management, control and reporting. Furthermore, the trading strategy forms an integral part of the market price risk strategy.

Within the risk management organisation, the full Board of Management decides upon the strategic direction of the DekaBank Group. Based on the recommendation of the ALCO, it determines the permissible overall risk for the Group and the capital allocation at the risk type level and for both the core and non-core business. ALCO generally meets twice a month to discuss the current strategic risk position. Daily risk monitoring and reporting is carried out by the Market Risk Control unit in the Corporate Centre Group Risk. In the event of limit overruns, Market Risk Control immediately informs the full Board of Management and the responsible decision-makers. The Risk Models unit in the Corporate Centre Group Risk is responsible for the development of the methodology, quality assurance and validation of the processes used to quantify market price risks.

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

To minimise risks, DekaBank primarily uses established products and markets which have sufficient market liquidity and depth as a result of their international acceptance. No transactions in precious metals or raw materials were executed during the reporting year.

Risk positions are generally limited at the portfolio level using risk ratios derived from the VaR process described below. In addition to these risk limits, stop loss limits are defined for trading books in order to effectively limit losses. The basis for calculating the utilisation of these limits is the accumulated net income for the year determined by the Desk Performance Corporates & Markets unit in the Corporate Centre Finance. If the loss exceeds the stop loss limit, the open positions in the corresponding portfolios have to be closed out immediately.

Quantifying market price risks

In line with the extent of the interest rate and equity positions as well as the impact of credit spreads changes on the valuation, DekaBank puts a special priority on monitoring related market price risks. The systems to measure and monitor risks are continually refined and further developed.

The value-at-risk ratios are determined daily, using a sensitivity-based Monte Carlo simulation. The input parameters for this risk model are the sensitivity variables delta, gamma and vega (the Greeks). These first and second-ranking sensitivities express the price sensitivity of financial instruments to changes to the underlying risk factors and facilitate the assessment of the overall risk of linear and non-linear products. They are available as additional management parameters for risk estimation beyond the limitation.

The model ensures the mapping of all risk factors, which is closely aligned with the trading strategy, including non-linear and credit spread risks. Daily risk measurement is integrated for all risk types related to market price risk, both in the trading book and investment book. This guarantees a comprehensive view of all market price risks, while adequately taking into account concentration and diversification effects by including correlations across all portfolios and risk types.

Value-at-risk (VaR)

While the VaR in the risk-bearing capacity analysis is calculated with a confidence level of 99.9% and a holding period of one year, to determine utilisation of the operating limits, DekaBank calculates the VaR for a holding period of ten days (for trading one day) and a confidence level of 95%. The operating VaR therefore corresponds with a probability of 95% to the maximum loss on a position held over a period of ten or one trading days.

The Monte Carlo simulation is comprehensively used across all portfolios, including credit spread-sensitive portfolios in particular. The calculation is based on volatilities and correlations determined using historic changes in market parameters. We take into account market correlations within the interest rates and credit spreads and currencies and equities risk categories as well as correlations between the risk categories.

To calculate the share price risk, each actual share is included as an individual risk factor and considered accordingly when determining risk. The specific interest rate risks (credit spread risks) are calculated on an integrated basis using the sensitivities of the underlying segmented or name-specific creditworthiness spread curves.

The VaR ratios are calculated daily for all risk categories and all portfolios and compared to the associated portfolio-related limits.

Sensitivities

Risk measurement on the basis of the VaR procedure is supported by establishing and reporting risk type-specific sensitivities on a daily basis. This method is used by DekaBank to determine the sensitivities delta (as a basis point value) and gamma for the general interest rate risk: the basis point value expresses price changes in relation to shifts in yields. The interest rate vega, which is also determined each day, describes price changes in relation to the implicit volatility of a position. Sensitivities are determined and analysed according to both the different currency areas and the relevant maturity bands.

In terms of credit spread risk, a differentiated analysis is also conducted according to currency areas and maturity bands, similar to the procedure for the general interest rate risk. Specifically, the analysis is broken down into rating and industry-specific segments. In order to take adequate account of basis risks, a separate analysis is prepared for credit default swap (CDS) and bond markets.

With regard to currency and share price risk, the delta, gamma and vega sensitivities are determined as a change in value based on a 1% change in the underlying risk factors.

Scenario analyses

Alongside the analysis of risks as part of the VaR procedure, scenario analyses are also important for managing and monitoring risk. In this regard, DekaBank distinguishes between sensitivity analyses and stress scenarios.

Sensitivity analyses are defined as simple shifts in the various risk factors relating to changes in interest rates, credit spreads, share prices and exchange rates. The sensitivity analyses are used for the operating management of risks arising from trading and Treasury positions.

Risk-type specific stress scenarios are used to analyse the impact of historic and hypothetical scenarios which affect several risk factors at the same time. In light of the turmoil in the financial markets, the stress scenarios for the credit spread risk of capital market credit products were continually further developed. DekaBank currently analyses four different stress scenarios. On the one hand, they include scenarios for which the model parameters used were stipulated based on the historic movement in credit spreads for various asset and rating classes during the financial market crisis. At the same time, hypothetical scenarios are calculated. The potential loss arising from expected changes in market value in the scenarios is calculated using extreme risk premiums on various capital market credit products against swap rates.

Backtesting of VaR risk ratios and validation

In addition to detailed validation of the individual assumptions used in the model, backtesting for various portfolio levels is regularly conducted in order to test the validity of the VaR forecast. In this process, the daily results, which are theoretically achieved assuming unchanged positions on the basis of the market developments observed on the following day, are compared with the forecast value-at-risk figures for the previous day. The backtesting results are also used to further develop the risk model. A report with the results is submitted to the ALCO on a quarterly basis. The backtesting results verify the general suitability of the market risk measurement on both the institute level and the level of subordinate organisational units.

Reporting of market price risks

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

Current risk situation

With a VaR of €45.3m over a holding period of ten days and a confidence level of 95%, the overall market price risk as at the reporting date was lower than in the previous year (€51.7m); (Fig. 17). A decrease in the second half of the year against the backdrop of an eased financial and capital market environment followed an increase in the first half of the year, which was primarily caused by higher spread volatilities.

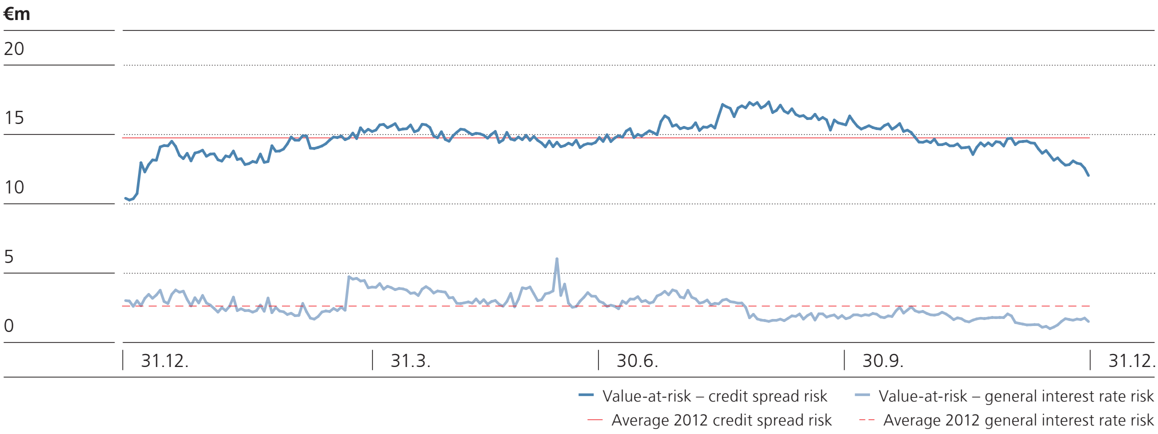
Value-at-risk at the DekaBank Group[1] (Confidence level 95%, holding period 10 days) *(Fig. 17)*

€m Category	Core business	Non-core business	31.12.2012 Group	Core business	Non-core business	31.12.2011 Group	Change in risk
Interest rate risk	41.8	13.3	44.5	47.6	16.1	51.2	–13.2%
Interest rate – general	2.7	1.5	2.7	4.2	4.6	7.7	–65.0%
Spread	41.5	13.2	44.4	47.9	15.3	52.0	–14.6%
Share price risk	3.1		3.1	6.3		6.3	–51.1%
Currency risk	1.7	1.3	0.6	4.7	3.8	1.1	–45.2%
Total risk	**42.3**	**13.5**	**45.3**	**48.7**	**16.8**	**51.7**	–12.4%

[1] Risk ratios interest rate risk and total risk take account of diversification. Including issuance specific credit spread risk.

The credit spread risk, which stood at €59.6m at mid-year, decreased to €44.4m by year-end due to narrowing spread curves and lower spread volatilities, and thus was lower than compared with the previous year's level (€52.0m). In particular, as a result, the risk-reducing effect was significantly in the Treasury banking book. Here, the VaR amounted to €30.7m as at the reporting date, compared with €39.5m in the previous year, despite the expansion of strategic liquidity reserves. In the Markets trading book, the credit spread risk totalled €11.7m (previous year: €10.2m); (Fig. 18).

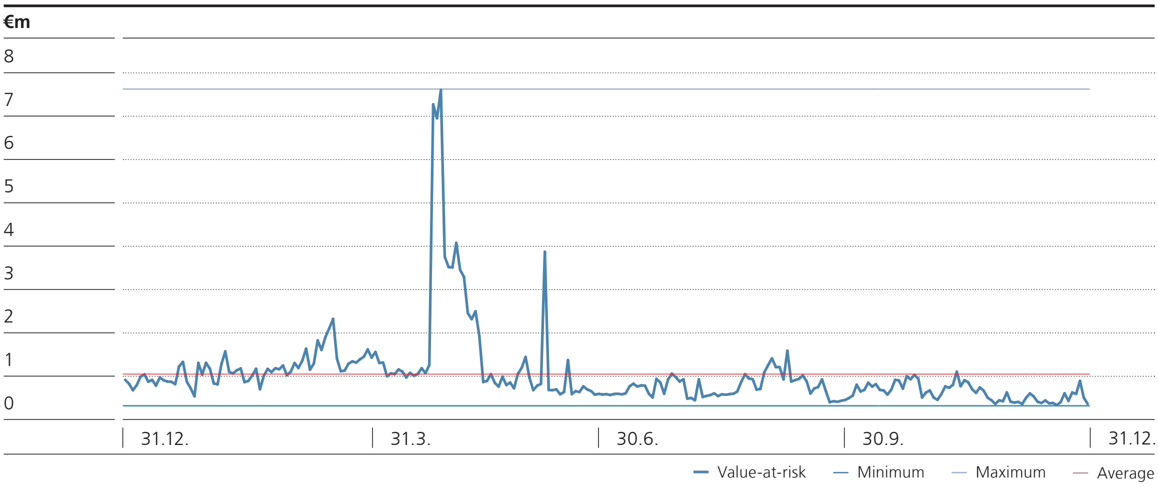
Value-at-risk – General interest rate risk and credit spread risk in Markets trading over the course of the year 2012 *(Fig. 18)*



The significant decrease in the general interest risk of €7.7m at the end of 2011 to just €2.7m reflected the reduction in the portfolio of risk assets, primarily in the non-core business, as well as the lower market interest rate level. At €1.8m, the general interest risk in the Markets trading book remained below the previous year's figure (€3.2m).

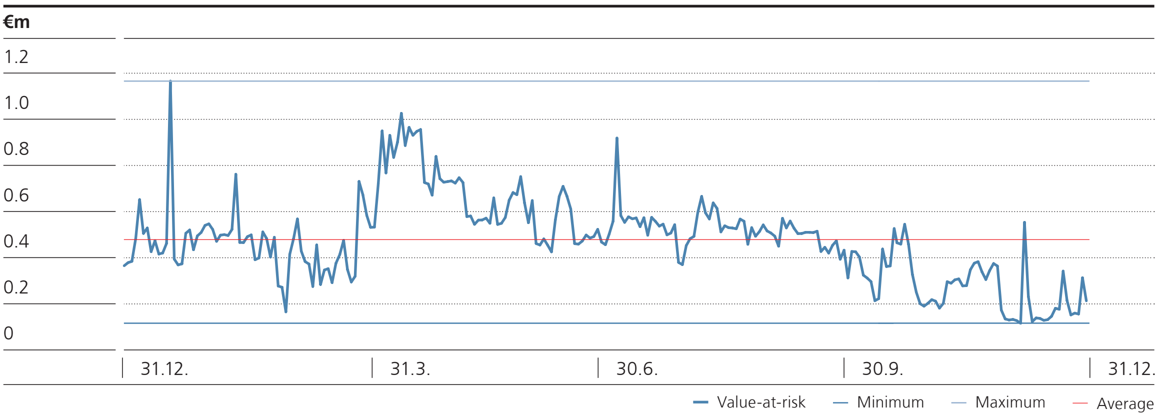
The share price risk, which largely results from the start-up financing of funds in the Markets sub-division, was €3.1m and thus also lower than the risk level of the previous year (€6.3m). This was mainly due to reduced volatilities and a reduction of positions. In the Markets trading book, the share price risk stood at €0.4m (previous year: €0.9m); (Fig. 19). With the exception of individual reporting date fluctuations in the course of the year, the risk level remained at a relatively constant level. The corresponding limits were maintained at all times.

Value-at-risk – Share price risk in Markets trading over the course of the year 2012 *(Fig. 19)*



At €0.6m, currency risk was once again at a low level. The continued decline as compared with the previous year's figure (€1.1m) was primarily caused by the differing market developments in the euro and US dollar. At the end of 2012, the currency risks in the Markets trading book amounted to €0.2m (end of 2011: €0.3m); (Fig. 20).

Value-at-risk – Currency risk in Markets trading over the course of the year 2012 *(Fig. 20)*



Credit risks

Risk management and monitoring

Organisation of credit risk management

The credit risk strategy is the foundation for handling counterparty default risks in the DekaBank Group with regard to the structure of the credit processes, the independent risk assessment and the responsible management of risks in due consideration of collateral. It provides the parameters for the business activities of the DekaBank Group with respect to borrower risks, issuer risks, advance performance risks and replacement risks, and forms the basis for a comprehensive credit risk structure analysis. Moreover, the strategy outlines the counterparty default risk principles for loans as defined by Section 19 (1) of the German Banking Act (KWG) and describes the segments which represent the focus of lending activities, including the specific risk determinants and minimum standards. The credit risk strategy applies to all organisational units in the Group. The strategy is specified by the Board of Management, reviewed at least once a year and discussed with the Administrative Board. Credit risks are monitored and managed in accordance with standard principles, regardless of whether the risks stem from trading or non-trading transactions. The associated tasks are carried out by the Board of Management, by the C&M, AMI (Real Estate Lending) and AMK (sales direct customer business and private banking) divisions, by the Corporate Centre Credit Risk Office as well as the Credit Risk Control and Risk Models units in the Corporate Centre Group Risk.

In line with the MaRisk, certain tasks in the credit process have to be performed by departments other than the front office. Consequently, the Corporate Centre Credit Risk Office is the administration office for early risk identification and responsible for the market-independent second recommendation for loan decisions as well as for reviewing and approving creditworthiness analyses and ratings. With regard to capital market transactions, the Corporate Centre Credit Risk Office is also responsible for preparation. Moreover, the Corporate Centre Credit Risk Office ensures the quality of the credit processes, develops them further if required and monitors the transaction management of non-performing and troubled loans as a permanent member of the Monitoring Committee. In addition to the head of the Corporate Centre Credit Risk Office, the members of this committee, which is responsible for managing and monitoring the processing of troubled exposures, include the heads of the Credits, Markets and Treasury sub-divisions from the C&M division, the head of the Real Estate Lending sub-division in AMI and the head of the Corporate Centre Legal Affairs. The Corporate Centre Credit Risk Office has a right of veto in the Monitoring Committee.

Other back office functions are assumed by the Credit Risk Control and Risk Models units of the Corporate Centre Group Risk. The Credit Risk Control unit monitors credit risks at the borrower level and is responsible for risk reporting with regard to credit risks. Its remit also includes developing methods and reviewing rating procedures. Acceptances and other decisions regarding the future development of the rating procedures are the responsibility of the Rating Committee (see the section on assessing creditworthiness). The Risk Models unit is responsible for monitoring credit risks at the portfolio level and for the development of methodology and quality assurance of procedures for quantifying credit risks, in particular on the basis of the credit portfolio model.

Independent risk assessment and monitoring is guaranteed by the functional and organisational separation of the Corporate Centres Credit Risk Office and Group Risk from the C&M division as well as the Real Estate Lending sub-division in AMI and the AMK division (sales direct customer transactions and private banking).

Management, monitoring and limiting of credit risks

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

With regard to the economic borrower and, where applicable, the economic borrower unit, DekaBank has set sub-limits for the position risk and advance performance risk as well as a limit for the overall position. The limits are based on the borrower's creditworthiness as well as the collateralisation and term of the transactions. Country and sector aspects also play a role. Moreover, it is ensured that individual exposures do not exceed an appropriate sum. The Bank does not enter into credit transactions of a highly speculative nature or which entail very unusual risks. Furthermore, in accordance with the credit risk strategy, project financing must meet the requirements of the Equator Principles, which is understood as the voluntary commitment to meet minimum social standards as well as environmental standards. External experts are commissioned to review and classify projects.

Special risk-limiting standards apply in the Credits sub-division, depending on the type of financing. In project financing, for example, care is taken to ensure technological security as well as suitable price risk and cost reserves; appropriate equity capital participation of the financing recipient and access to cash flows which secure debt service are also pertinent in this respect. In public infrastructure finance, the assessment of the financed property and of the operator plays a key role, while country and supplier risks are particularly relevant in ECA-covered export and trade financing.

In the segment of structured capital market products and the other segments which are assigned to non-core business, no new commitments are taken on.

In addition to criteria relating to individual transactions, there are product-specific exclusions. In property finance, in the Real Estate Lending sub-division, criteria such as the creditworthiness of the user and/or the parties involved in the project, the location, quality and profitability of the property as well as adequate advance letting for real estate project developments are of overriding importance.

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

The AMK private customer lending business largely comprises Lombard loans, futures and options as well as forward exchange transactions within the scope of servicing affluent private customers. Credit is only granted upon provision of valuable collateral. In addition, transactions for the purpose of illustrating the guarantee payment of guaranteed funds are included in the loan volume. Since the reporting year, the loan volume in AMK has also been reported separately and differentiated by risk segment. The figures for the previous year have been adjusted accordingly in order to achieve better comparability.

The procedures used to value and manage the credit collateral are summarised in the Bank's Credit Manual. If collateral is to be newly included as credit risk mitigation techniques under the German Solvency Regulation

(SolvV), this can only take place following implementation and documentation of the prerequisites required under the SolvV. All relevant units of the Bank are included in this process.

Assessing creditworthiness

When assessing the creditworthiness of borrowers, DekaBank generally does not rely on external ratings, but rather uses a finely differentiated, internal rating system at the Group and Bank level which meets the requirements of the current rules for determining equity backing for financial institutions. The system is based on internally determined ratings, which are assigned to estimates of the probability of default (PD).

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

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

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

The responsibility for internal Bank acceptance or decisions regarding the further development of methodology and the updating of the rating systems lies with the Rating Committee, which is predominantly comprised of representatives from the Corporate Centres Credit Risk Office and Group Risk. In addition, the Rating Committee is responsible for the fundamental specification of the rating processes. The first-time introduction of new rating procedures requires the approval of the full Board of Management.

The rating modules currently used are tailored to the relevant class of receivables. These include classic scorecard models through which creditworthiness is assessed on the basis of current quantitative and qualitative borrower features, as well as modules used to estimate the probability of default in terms of the expected cash flows, using simulated macro and micro scenarios for the relevant risk drivers. One module determines the probability of default using a ratings and portfolio-based simulation approach. In addition to the modules mentioned above, expert methods are also used for particular types of financing.

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

All of the rating modules that are used are calibrated to a one-year probability of default. Within the *Landesbanken* participating in the cooperative project, rating classes are uniformly assigned, corresponding to the probability of default. This scale serves as a standard reference point for a differentiated creditworthiness assessment. The DSGV master scale provides for a total of 21 rating classes for non-defaulting borrowers and three for defaulting borrowers.

The three default classes reflect the need to facilitate the recording of default events on a differentiated basis. Regulatory default definitions in connection with Basel II encompass a wide range of default events, which can range from temporary payment problems up to insolvency of the borrower. Each rating class is allocated a mean probability of default. On the whole, the DSGV master scale facilitates an extraordinarily differentiated measurement and forecast of default risks, which takes account of the requirements of DekaBank's market environment to a large extent. The ratings are updated annually and as required.

Quantifying credit risks

Limit monitoring

In general, counterparty-related credit risks are monitored at the economic borrower and economic borrower unit level. To this end, the main exposures from the lending and trading business count towards the utilisation of the limits for advance performance risk, position risk and overall risk, which are managed centrally by Credit Risk Control. Off-balance sheet items such as irrevocable lending commitments or guarantees granted are also included. In principle, the market value of the respective transaction is used. Where this is not directly evident in the market, the present value or the maximum current or future drawdown is used.

Issuer risks arising from bonds and guarantor positions relating to credit default swaps in the trading book are monitored on the basis of a global limit based on the holding period, unless relevant individual counterparty-related limits exist.

Limit overruns at the economic borrower unit level or global limit level are reported immediately to the full Board of Management. Further limits such as portfolio-related limits under the Investment Directive for Structured Capital Market Investments and limits for value fluctuations of securities collateral in repo/lending business are also monitored separately. The previous ratings-based global limit for country risks was replaced by a differentiated limit system in the reporting period, with which the country risks for each risk country (excluding Germany) are now explicitly limited and monitored. The responsibility for this lies with the Country Risk Committee, additionally established this year.

Default monitoring

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

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

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

Credit portfolio model

In addition to the structural analysis of the credit portfolio, credit risks are mapped using a portfolio model. This is aimed in particular at providing suitable risk ratios and risk premiums for portfolio and bank management, determining the capital required or the economic pressure on equity resulting from credit risks and integrating these in the risk-bearing capacity analysis and quantifying concentration and diversification effects.

The portfolio model is largely based on a credit metrics approach. Along with the default risks in the narrower sense, the risks arising from a change in creditworthiness are also taken into consideration in the form of rating migrations. The probability allocation for credit risk induced changes in the value of the portfolio is generated using a Monte Carlo simulation. The collateral recognised when determining the loss ratio is taken into account based on individual cases from rating modules for project financing. Within the scope of further developing the model during the reporting year, the structure of the weighting curves in particular was adapted to suit the market situation that recently changed significantly. A very moderately higher reported risk arose from this further development at the overall portfolio level.

A key result of the portfolio model is that it determines a credit-value-at-risk (CVaR) with a confidence level of 99.9% and an assumed holding period of one year. The CVaR is currently determined each month on a Group-wide basis and incorporated in the processes and reports relevant to the management and monitoring of credit risks. It is included in the risk-bearing capacity analysis, taking into account the provisions for loan losses. In addition to ongoing monthly calculations, the effects of relevant scenarios are analysed quarterly with regard to default probabilities, loss ratios or correlations in the course of stress tests specific to counterparty risk even under stressed conditions, and the results are reported to the Stress Testing Committee.

Credit risk reporting

In addition to monitoring limits on a daily basis, the Credit Risk Control unit prepares a monthly summary report containing the explanations and any partial limit overruns during the reporting month; the summary report is discussed each month by the Board of Management.

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

The reported risk segments were further differentiated during the 2012 financial year. In order to transparently illustrate the increasingly significant business with the savings banks, this business is no longer included in the financial institutions risk segment but is instead summarised in a separate „savings banks" risk segment; the previous year's figures have been adjusted accordingly. In addition, some risk segments have been renamed for consistency with internal management.

As a component of the risk report in accordance with MaRisk, the credit risk report is prepared at the end of every quarter and submitted to the Board of Management and in condensed form to the Administrative Board.

Current risk situation

During this reporting year as well, DekaBank only took on new exposures on a very selective basis. The loan volumes at year-end were significantly lower as compared with the previous year.

At €157.6bn, the gross loan volume as of the 2012 reporting date was down on the previous year (€160.4bn). On the one hand, this was mainly attributed to a decrease in the savings banks risk segment. On the other hand, the volume in the corporates risk segment reduced, primarily due to a lower volume of collateralised equity spot deals as well as a decrease in bond holdings. In contrast, the increase in the financial institutions risk segment was primarily attributable to higher volumes in secured repo transactions. The increased volume in the public sector finance (Germany) risk segment was chiefly the result of an increase in secured bonds in the trading portfolio. The financial institutions and savings banks risk segments together represented 60.5% (previous year: 58.9%) of the gross loan volume (Fig. 21).

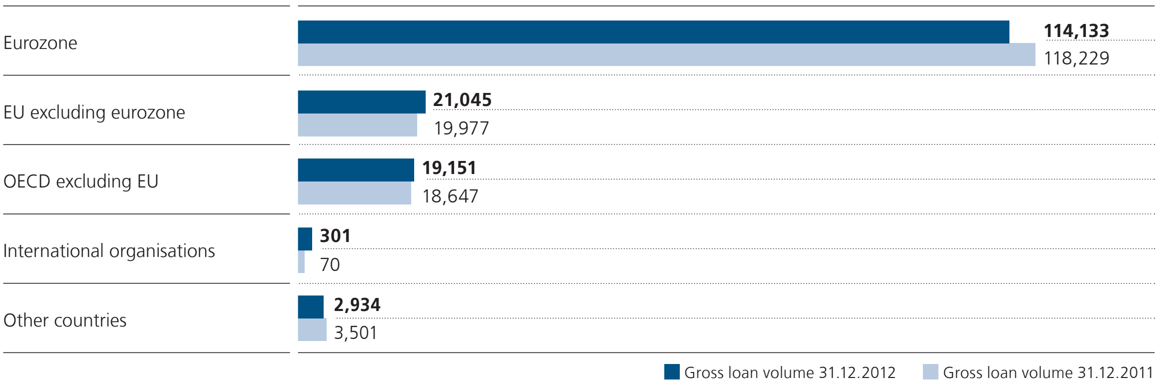
Gross loan volume *(Fig. 21)*

€m	31.12.2012	31.12.2011
Financial institutions	77,948	74,350
Public sector	19,827	16,622
Savings banks	17,339	20,139
Corporates	11,905	16,867
Funds (transactions and units)	10,091	9,761
Property risk	8,202	8,229
Transport & export finance	5,192	5,964
Energy and utility infrastructure	2,345	3,085
Other	4,717	5,408
Total	**157,565**	**160,425**

The decrease in the gross loan volume with domestic counterparties declined more sharply than the overall gross loan volume. As a result, the Federal Republic of Germany's share of overall volume has decreased slightly to 53.5% (previous year: 54.8%). Volumes in the other eurozone countries also declined as compared with the previous year, and consequently, the eurozone's share in the gross loan volume dropped marginally in the course of the year to 72.4% (previous year: 73.7%). The gross loan volume increased slightly in the EU outside the eurozone, primarily due to a higher volume in Great Britain. The OECD states outside of the EU also exceeded the previous year's figure, mainly due to an increase in Switzerland (Fig. 22).

Gross loan volume by region *(Fig. 22)*

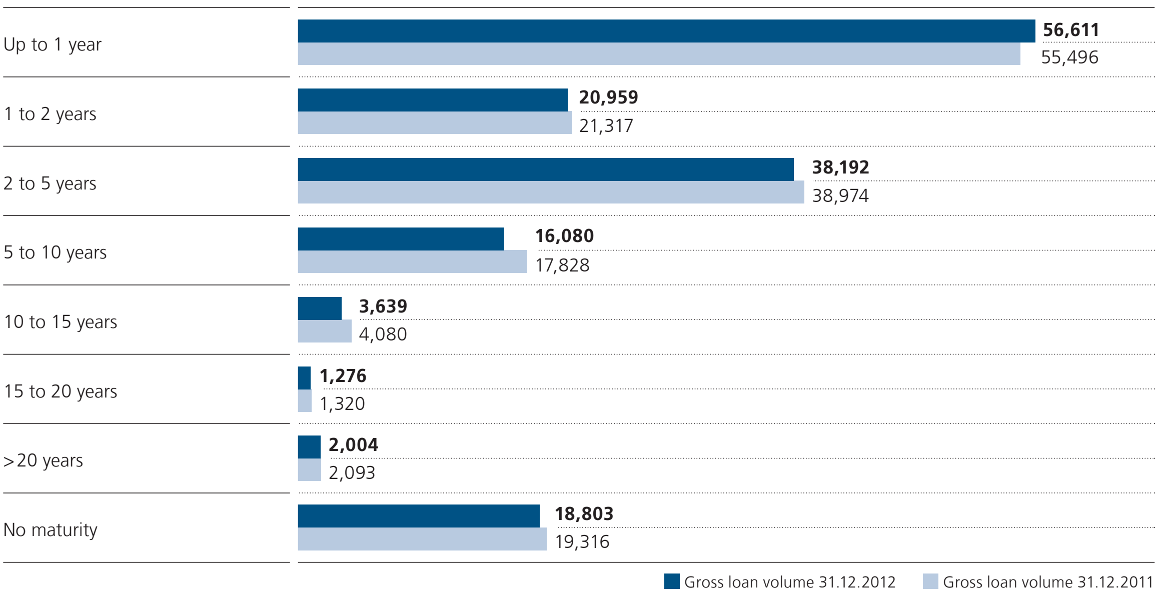
€m



In the course of the year, the average legal maturity of the gross loan volume fell from 3.1 years to 3.0 years. 35.9% (previous year: 34.6%) was allocated to a maturity of less than one year, whilst the share of longer maturities of ten years or more decreased to 4.4% (previous year: 4.7%), (Fig. 23).

Gross loan volume by remaining maturity *(Fig. 23)*

€m



As at year-end 2012, the net loan volume totalled €50.7bn (previous year: €52.4bn) and therefore also dropped slightly. The decrease was primarily attributable to the savings banks risk segment. Financial institutions and savings banks together also represented the largest proportion of the remaining net loan volume (Fig. 24).

Net loan volume *(Fig. 24)*

€m	31.12.2012	31.12.2011
Financial institutions	19,878	20,071
Savings banks	11,122	11,917
Corporates	5,933	6,281
Funds (transactions and units)	5,331	3,572
Property risk	2,252	3,064
Energy and utility infrastructure	2,242	3,024
Transport & export finance	775	840
Other	3,184	3,672
Total	**50,717**	**52,440**

In financial year 2012, the concentration of the loan portfolio remained virtually unchanged. As at year-end, the ten largest borrowers made up just over 23.8% (end of 2011: 25.6%) of the net loan volume. 80% of the net loan volume was concentrated on 5.6% (previous year: 5.4%) of borrower units.

Calculated according to the DSGV master scale, the average rating remained at 4 on a net basis or 3 on a gross basis. The average probability of default in the portfolio remained unchanged in the net loan volume at 24 basis points. In the gross loan volume, the average probability of default also remained unchanged at 17 basis points.

In the net loan volume, negative rating migrations of more than one notch made up just under 9% of the volume. In Financial Institutions, the most important risk segment by volume, the average rating declined from A+ to A. However, the segment continues to demonstrate good creditworthiness, with an average probability of default of 7 basis points (Fig. 25).

Net loan volume by risk segment and rating *(Fig. 25)*

€m	Average PD in bps	Average rating 31.12.2012	31.12.2012	Average PD in bps	Average rating 31.12.2011	31.12.2011
Financial institutions	7	A	19,878	5	A+	20,071
Savings banks	1	AAA	11,122	1	AAA	11,917
Corporates	30	4	5,933	57	6	6,281
Public sector international	8	A–	1,431	7	A	1,888
Public sector Germany	1	AAA	209	1	AAA	35
Public infrastructure	211	9	1,069	179	9	1,078
Transport & export finance	153	8	775	129	8	840
Energy and utility infrastructure	151	8	2,242	96	7	3,024
Property risk	77	7	2,252	56	6	3,064
Retail portfolio	25	4	381	7	A	539
Funds (transaction and units)	14	3	5,331	15	3	3,572
Equity investments	113	8	92	125	8	133
Total result	**24**	**4**	**50,717**	**24**	**4**	**52,440**

Risk situation in the PIIGS countries

At the end of 2012, the gross loan volume to borrowers in the Euro countries with downgraded credit ratings, Portugal, Italy, Ireland, Greece and Spain, amounted to only €4.4bn (end of 2011: €5.9bn). On the one hand, this is attributed to a decline in volume as compared with the Euro core countries, which together make up a gross loan volume of €311m. On the other hand, the gross loan volume related to banks (€–300m) and companies (€–716m) in the affected countries also decreased in the course of the year (Fig. 26).

Gross loan volume by PIIGS countries and sector as at 31 December 2012 *(Fig. 26)*

€m	Greece	Ireland	Spain	Italy	Portugal	Total
Core country	0	4	92	203	12	311
Public sector	0	0	107	0	0	107
Banks	0	137	954	706	51	1,847
Companies	259	430	546	648	49	1,932
Other	0	20	49	113	0	183
Total result	**259**	**591**	**1,748**	**1,670**	**112**	**4,380**
Change vs. previous year						
Core country	–47	–1	–97	–113	–69	–328
Public sector	0	0	–140	–7	0	–147
Banks	0	38	–362	129	–105	–300
Companies	–186	5	–416	–72	–47	–716
Other	0	–16	–4	–26	–3	–49
Total result	**–233**	**25**	**–1,020**	**–88**	**–224**	**–1,540**

Due to a high level of collateralisation in many cases, the net loan volume amounted to just €2.3bn, commensurate to a reduction of €877m as compared with the previous year. The Euro core countries accounted for only €182m of the net loan volume. The continued decline is also due to reduced volumes related to banks (€–300m) and companies (€–255m), as is the case with the gross loan volume.

The CVaR as a component of Group risk (confidence level 99.9%, risk horizon one year) decreased by 14.8% to €1,323m as compared with the end of 2011 (€1,553m). The risk reduction can primarily be attributed to the calming of the financial markets after measures were taken to tackle the European national debt crisis. Migration risks declined due to the narrowing of risk surcharges. The opposing effects were more than offset by the establishment of strategic liquidity reserves, individual rating downgrades and increases in exposures related to selected counterparties, particularly those of individual guarantee funds. The share of CVaR allocated to German counterparties decreased to 40.2% (end of 2011: 55.8%), while the proportion allocated to the rest of the eurozone and other European countries increased overall. Counterparties from the financial industry continued to make the largest contribution to total CVaR by sector, with a share of 42%. In view of the increasing cyclicality of the underlying counterparties and more stringent and extensive supervisory requirements, a further increase in the corresponding ratio is expected in the future.

The provisions for loan losses reported in the balance sheet decreased from €773.1m at the end of 2011 to €724.1m at the end of 2012, largely as a result of the use of specific valuation allowances for loans and securities. With regard to portfolio valuation allowances for country risks, reversals prevailed, while the portfolio valuation allowances for creditworthiness risks and provisions for portfolio risks differed only negligibly from the previous year's values (Fig. 27).

Provisions for loan losses by risk segment *(Fig. 27)*

€m	Financial institutions	Funds	Transport & export finance	Energy and utility infra-structure	Property risk	Public infra-structure	Corporates	Other	31.12.2012	31.12.2011
Impaired gross loan volume[1]	**527.3**	**0.0**	**432.5**	**88.2**	**90.8**	**195.6**	**34.4**	**0.1**	**1,368.9**	**1,436.2**
Collateral at fair value	**0.0**	**0.0**	**205.1**	**0.0**	**70.0**	**0.0**	**0.0**	**0.0**	**275.1**	**283.0**
Impaired net loan volume[1]	**527.3**	**0.0**	**227.4**	**88.2**	**20.8**	**195.6**	**34.4**	**0.1**	**1,093.8**	**1,153.1**
Provisions for loan losses[2]	**377.9**	**0.8**	**165.3**	**42.9**	**72.9**	**28.4**	**34.7**	**1.2**	**724.1**	**773.1**
Specific valuation allowances	374.1	0.0	150.9	27.4	62.3	21.1	22.3	0.1	658.2	694.1
Provisions	0.0	0.0	0.0	2.0	0.0	0.0	0.7	0.0	2.7	2.2
Portfolio valuation allowances for country risks	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	1.3	13.7
Portfolio valuation allowances for creditworthiness risks	3.8	0.8	13.1	13.5	10.6	7.3	11.7	1.1	61.9	63.1

[1] Gross and net loan volumes impaired by specific and country valuation allowances.
[2] Provisions for loan losses in balance sheet exceed the net loan volume as portfolio valuation allowances have been recognised.

As collateral for the impaired individual exposures, charges on property were essentially accounted for in the property risk segment and aircraft and ship mortgages as well as sureties were included for the transport & export finance risk segment. Sureties were taken into account when determining portfolio valuation allowances for country risks. Collateral of sustainable value were included when determining portfolio valuation allowances for creditworthiness risks. The assets resulting from the utilisation of held collateral in the past financial year are recognised in the balance sheet in the amount of €3.5m.

Operational risk

The strategy determined by DekaBank for managing operational risks forms the basis for the largely decentralised organisation of risk management for operational risks within the Group. Both the immediate responsibilities and the differentiation from other types of risk as well as the principles for cooperation with other related functions such as Compliance are described in this strategy.

Roles and responsibilities of the management of operational risks

Due to the process-specific nature of operational risks (OR), DekaBank pursues a decentralised approach to identifying, assessing and managing them. This is based on the coordinated cooperation of the following units.

Board of Management

The Board of Management has the overall responsibility for the appropriate handling of operational risks in the DekaBank Group. In this respect, it is specifically responsible for defining the OR strategy, ensuring the required framework conditions for its Group-wide implementation and taking measures for OR management on the Group level.

Central operational risk control

The Group Risk Controlling & OR unit is responsible for the key components of controlling operational risk in the Group. In particular, it has the decision-making authority with regard to the methodology applied to operational risks, the independent OR reporting and the professional support of the infrastructure required for this.

Group units

The decentralised risk identification, measuring and management is carried out by various functions within the individual Group units. While the heads of the M1 units are responsible for the implementation of the requirements specified in the OR strategy and the actual management of operational risks, the OR managers are responsible for the decentralised application of developed methods, particularly with regard to ensuring consistent risk assessments. The OR managers are supported by assessors, who, as process experts, identify and evaluate OR loss scenarios within the scope of a self assessment, and by loss documenters.

Cross-divisional functions

In addition to the methods for which the Group Risk Controlling & OR unit is responsible in the Group, several cross-divisional functions at DekaBank play an important role in identifying, assessing and managing operational risks. In particular, these include the Group Audit, Compliance, Data Protection, Data Security Management, Corporate Security Management and Complaint Management functions.

Instruments used for the management of operational risks

DekaBank uses the following methods and tools to manage operational risks:

- Self assessment
- Scenario analysis
- Risk indicators (as part of the scenario analyses)
- Loss documentation

In order to determine the economic capital requirement for operational risks, DekaBank uses an advanced measurement approach (AMA) recognised by regulatory bodies. In doing so, the operational risk of the Bank is quantified as part of a loss distribution approach based on the methods described above, as well as external loss data. The value-at-risk figures thus identified are incorporated into both the regulatory capital requirement and the internal risk-bearing capacity analysis of the Group.

Reporting of operational risks

On the basis of the tools described above, the heads of Group units are informed about all significant operational risks on a quarterly reporting basis, thereby facilitating effective management. In addition, an aggregate report is submitted to the Board of Management. Along with summarised information on operational risks in the Group, the report includes detailed information on the implemented and planned measures for major individual OR risks in the Group units.

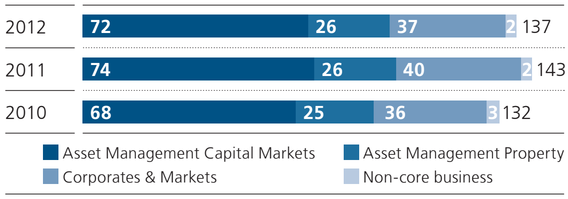
Current risk situation

At the Group level, the value-at-risk for operational risks determined in accordance with an advanced measurement approach (confidence level 99.9%, risk horizon one year) decreased as compared with the previous year (€143m) by 4% to €137m at the end of 2012 (Fig. 28).

On the one hand, this decrease can be attributed to a lower number of internally and externally observed losses as well as reduced potential loss estimations as part of the Group-wide risk inventory. Amongst other things, risk indicators and the comparison with actual losses incurred had a positive effect. On the other hand, for example, new risk transfer measures were taken with the conclusion of a liability insurance covering economic loss and a fidelity insurance, which had a risk-reducing effect for DekaBank. With regard to the breakdown of value-at-risk by business division for internal management purposes, the Asset Management Capital Markets business division continued to make up the largest proportion of this figure, ahead of the Corporates & Markets division.

Value-at-risk *(Fig. 28)*

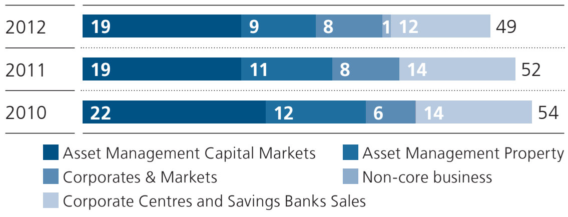
(99.9%, 1 year), in €m



At the end of 2012, the loss potential from operational risks determined as part of the Group-wide risk inventory was €48.8m, 6% below the previous year (€52.1m); (Fig. 29). In contrast to value-at-risk as an upper loss limit that cannot be exceeded with a specific probability, the loss potential represents an expected value that arises from the estimated frequency of occurrence and loss amount involved in all operational risk scenarios for the Group. The estimates for several risks were thus lowered, particularly in the Corporate Centres and in Savings Banks Sales as well as in the Asset Management Property division, after they had been successfully reduced by appropriate measures.

Loss potential *(Fig. 29)*

in €m



Compliance

In accordance with the Minimum Requirements for Compliance and additional conduct, organisational and transparency obligations in accordance with Sections 31 et seq. of the German Securities Trading Act (WpHG) for Investment Services Enterprises (MaComp), the DekaBank Group has a separate unit which ensures the stability, effectiveness and independence of the Compliance function.

Its responsibilities comprise the prevention of money laundering and financing of terrorism as well as prevention of other criminal offences. In addition, the unit ensures the Bank's compliance with duties and requirements for the capital market and real estate activities in accordance with securities trading legislation as well as with EU financial sanctions and embargoes. The Compliance unit provides ongoing advice to the specialist units in this regard and conducts audits related to adherence with statutory and regulatory requirements concerning compliance as well as the comprehensive compliance instructions on a timely basis.

The Compliance Officer submits a report to the Board of Management at least once a year and is also the point of contact for supervisory authorities and other government offices.

The ongoing implementation and integration of the compliance requirements in general day-to-day business is intended to contribute to the transparent adherence with the compliance standards as well as to reinforcing trust amongst investors and the public and safeguarding customer interests. Furthermore, the compliance regulations also protect the employees and help maintain the DekaBank Group's good reputation in the market. The DekaBank Group's compliance concept is designed in a way that ensures efficient management of conflicts of interest.

Accounting-related internal control and risk management system

The Board of Management of DekaBank has overall responsibility for the internal control and risk management system. The system is based on a transparent Group-wide organisational and control structure. The Finance unit is responsible for preparing and coordinating monthly, quarterly and annual financial statements. The units involved in the accounting process are appropriately staffed, in terms of both the number of personnel and their qualifications. Furthermore an open and cross-divisional communication policy makes an important contribution to minimising the risks associated with preparing financial statements.

In principle, risks arise in the accounting process, including through non-uniform use of posting, reporting and accounting standards, as a result of incorrect reporting of business transactions, and due to malfunctions and errors of the IT systems used in accounting.

DekaBank's internal control system ensures proper and efficient accounting by complying with the relevant statutory and legal provisions. Its key features are the consistent procedural integration of control activities and procedures, in particular on the basis of the dual control principle as well as risk-oriented division of responsibilities in the head office units. To this end, the Bank performs automated routine checks and, when required, manual control and coordination procedures are also used, whose implementation and functionality are documented in specialist and implementation concepts.

On an aggregated level (for example with regard to individual balance sheet items) additional checks are carried out by "sub-position officers". These employees are also responsible for regularly calculating results and have in-depth product knowledge. The dual control principle applies here as well and is implemented by an employee with supervisory responsibilities.

The Group guideline covers the reporting of business transactions on a centralised basis. The guideline describes key accounting facts and documents the uniform specialist procedure that applies throughout the entire Group. This ensures that the same business transaction is reported uniformly in different Group units and companies in compliance with the applicable accounting standards. Specific work instructions are used to implement the Group guideline at the operational level in the individual specialist departments and they also provide a description of the control mechanisms to be considered. Guidelines and authorisation concepts have been developed for the central systems which generate accounting information as part of the preparation of financial statements and compliance with these is regularly monitored by internal and external audits.

DekaBank mainly uses standard software for accounting. The systems are protected against unauthorised access by external parties and are comprehensively secured against data loss.

The internal control system is regularly reviewed and tested by auditors as part of the audit of the consolidated financial statement.

Liquidity risks

Risk management and monitoring

DekaBank's liquidity risk is managed and monitored as an independent risk category. The liquidity risk strategy applies to all organisational units in the Group. The strategy is specified by the Board of Management, reviewed at least once a year and discussed with the Administrative Board. Any necessary adjustments are carried out under the lead management of the Corporate Centre Group Risk.

In principle, liquidity risk is managed on a cross-portfolio and Group-wide basis by the Liquidity Management unit in the Treasury division. All product types are included. The central aims are to avoid liquidity bottlenecks even under stress conditions at the Group level, comprehensively ensure solvency at all times and generate positive profit contributions from liquidity management.

In accordance with the MaRisk requirements, it must be ensured in particular that if the institute's own (idiosyncratic) as well as market-wide (macro-economic) stress factors occur simultaneously, the liquidity is at least equally as high as the expected cash outflows. Risk management by DekaBank ensures that the resultant liquidity requirement can be covered even in a tense market environment. Sufficient, sustainable liquidity reserves are maintained for even short-term deteriorations in the liquidity situation. In order to bridge short-term refinancing requirements of at least one week, only unencumbered highly liquid securities are considered. Over a period of one month, further unused and short-term assets which can be readily converted into cash can be included.

The planning, managing and monitoring of liquidity is based on the liquidity status, various funding matrices under normal (continuation approach) and stress conditions, the liquidity key ratios in line with the liquidity regulation as well as fund monitoring during the year.

DekaBank limits liquidity risk on the basis of a stress-based funding matrix. This limitation also restricts liquidity maturity transformation risk, even under stress conditions.

DekaBank defines liquidity risks that are recognised in income as economic effects which result from unfavourable changes in spreads related to closing potential refinancing gaps of up to one year. As the limitation of the funding matrix prohibits negative liquidity balances, risks arising from refinancing gaps that are recognised in income are not significant at present. Accordingly, inclusion in the risk-bearing capacity analysis is not required.

Quantifying liquidity risk

Liquidity status

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

Funding matrices

In addition, the liquidity position is analysed and monitored by the Liquidity Risk Management unit in the Corporate Centre Group Risk. To this end, DekaBank primarily examines the "Combined stress scenario" funding matrix (FM), which reproduces the simultaneous occurrence of both the institution's own and market-wide stress factors, and fully implements the requirements of the 3rd MaRisk amendment.

The purpose of the funding matrix is to show the undiscounted expected future cash flows across the portfolio as at the reporting date. In addition to these cash flows, the liquidity potential is also considered. In the liquidity potential, the highly liquid and liquid securities and other refinancing options that can be used as sources for liquidity are taken into consideration. The liquidity balance for each maturity band is determined from the cash flows accumulated over time and the liquidity potential. Based on this, the liquidity requirement or surplus is determined under stress conditions for each maturity band in accordance with MaRisk.

The foundation of the model are cash flows based on legal maturities. This approach is based on the total sum of the legal net cash flows per maturity band. The gap between the legal perspective and the expected cash flows is bridged using modelling assumptions. Securities used for the liquidity potential are either allocated to the strategic liquidity reserve or the operational liquidity reserve. The strategic liquidity reserve is used to cover possible stress-induced liquidity outflows from the investment book as well as stochastic liquidity outflows that cannot be influenced by DekaBank or can only be influenced by the Bank to a limited extent (stochastic liquidity position). The Treasury sub-division is responsible for the strategic liquidity reserve. The necessary amount and currency composition of the strategic liquidity reserve is determined on a quarterly basis by the Liquidity Risk Management unit within the Group Risk sub-division. The results are reported to the ALCO. The ALCO defines the amount and currency composition of the strategic liquidity reserve. The operational liquidity reserve includes the securities positions for daily ongoing use by the Short Term Products unit within the Markets sub-division.

In the case of securities used for the liquidity potential, a differentiation is made between:

- highly liquid securities which are suitable for use as a source of liquidity from the very first day,
- liquid securities which can serve as a source of liquidity as of the second week and
- other securities which are available as a source of liquidity as of the second month.

The liquidity balance calculated from the accumulated liquidity potential and accumulated cash flows is managed using a traffic light system comprised of early warning limits and liquidity limits. This allows the investment potential available for each maturity band to be explicitly determined. The liquidity balance must be positive in all monitored maturities; the early warning limit is currently €1.5bn.

The „Combined stress scenario" funding matrix is prepared daily by the Liquidity Risk Management unit in the Corporate Centre Group Risk and made available to the Treasury and Markets sub-divisions.

The Treasury sub-division uses the funding matrix as part of the overall risk management of the Group-wide liquidity position. In contrast, the funding matrix is used for operational, short-term liquidity management in the Markets sub-division.

The Liquidity Risk Management unit in the Corporate Centre Group Risk is responsible for monitoring liquidity risks based on the funding matrices in exactly the same way as the methodical development and quality assurance of the processes used as part of the funding matrices.

Stress scenarios

The "Combined stress scenario" funding matrix maps the liquidity situation of DekaBank under extreme stress conditions. In addition, specific stress scenarios are also separately considered as part of special funding matrices. The underlying models are divided into idiosyncratic and market-related scenarios.

Idiosyncratic scenarios affect DekaBank directly (for example downgrading of DekaBank's creditworthiness by rating agencies). Market-related scenarios are focused on the impact of a funding or banking crisis. Depending on the stress scenario, various modelling assumptions are applied. Amongst other things, market liquidity risks arising from a reduction in the market value of the securities in the liquidity potential are taken into account in the stress scenarios.

Liquidity ratio under the Liquidity Directive

At DekaBank, liquidity risk mitigation measures are also guided by the liquidity requirements of the Liquidity Directive. The Liquidity Directive specifies the requirements of Section 11 (1), clause 1 of the German Banking Act (KWG), according to which financial institutes must be sufficiently liquid at all times. The liquidity ratio pursuant to the Liquidity Directive is calculated as the ratio of short-term cash inflows and outflows of DekaBank with a maturity of up to one month. Monitoring ratios for up to one year are also calculated.

In order to ensure timely and adequate management of the liquidity coverage ratio (LCR), the key regulatory liquidity ratio to be fulfilled by 2015, the LCR has been determined on a monthly basis since 2012 and reported to the ALCO.

Reporting of liquidity risk

The above-mentioned funding matrices used for management and risk monitoring purposes are prepared daily by the Corporate Centre Group Risk as part of its independent monitoring process. They include extensive analyses and are submitted to the Liquidity Management and Short Term Products units. The liquidity situation is reported to the ALCO twice weekly. In this regard, limits and early warning limits were defined on the basis of the liquidity balance (= accumulated liquidity gap plus accumulated liquidity potential), which are also monitored by the Corporate Centre Group Risk. Any overruns are reported to the Board of Management via the ALCO. Moreover, the liquidity ratio pursuant to the Liquidity Directive is monitored daily in the reporting system of the Corporate Centre Finance.

Current risk situation

The DekaBank Group's potential liquidity that is readily convertible into cash remains at a high level even in stress scenarios. The Group can therefore utilise a high level of liquid securities, most of which are eligible as collateral for central bank borrowings, the available surplus cover in the cover pool and the corresponding repo transactions.

During the reporting year, the refinancing profile of DekaBank shifted further in the direction of money market products, which made up 64% (previous year: 51%) of overall refinancing at the end of the year. Repo transactions as well as call money and time deposits were primarily used. The proportion of capital market products decreased accordingly, to 36%. Bearer bonds accounted for the highest volume, followed by registered securities and promissory note loans. The refinancing was also broadly diversified by investor group.

In financial year 2012, the strategic liquidity reserve was further expanded as a component of the liquidity potential. As at year-end, the amount in the strategic liquidity reserve stood at €3.4bn.

As at year-end, the accumulated liquidity balance of the DekaBank Group's "Combined stress scenario" funding matrix in the short-term range (up to one week) amounted to €5.3bn. In the maturity band of up to one month, the surplus totalled €3.8bn and in the medium to long-term range at three months it was €9.5bn. In all maturity bands, the liquidity balances were clearly positive (Fig. 30). This also applies to the alternative stress scenarios considered, as well as the continuation approach.

Combined stress scenario funding matrix of DekaBank Group as at 31 December 2012 *(Fig. 30)*

€m	1D	> 1D-1M	> 1M-12M	> 12M-5Y	> 5Y-20Y	> 20Y
Liquidity potential (accumulated) [1]	13,461	27,402	4,058	6	9	9
Net cash flows from derivatives (accumulated)	22	−214	−2,374	−4,063	−4,238	−4,238
Net cash flows from other products (accumulated)	−8,499	−23,423	10,866	12,470	9,771	4,278
Liquidity balance (accumulated)	**4,984**	**3,765**	**12,550**	**8,413**	**5,543**	**49**
For information purposes:						
Net cash flows from derivatives by legal maturity (accumulated)	22	−452	−2,710	−5,345	−4,362	−4,362
Net cash flows from other products by legal maturity (accumulated)	−4,086	−26,475	−17,739	745	3,800	3,668
Net cash flows by legal maturity (accumulated)	**−4,064**	**−26,927**	**−20,449**	**−4,600**	**−562**	**−695**

[1] Including synthetic lending substitute transactions.

Overall, the requirements of MaRisk were thus exceeded. In accordance with the new regulatory definition, the highly liquid securities cover a potential cash outflow in the combined stress scenario across all maturity bands, instead of the first month specified in the MaRisk. DekaBank's liquidity position remains very strong even under the specific stress conditions considered. In the short-term maturity band of up to one month, liquidity surpluses were shown in all stress scenarios taken into account.

The regulatory requirements of the Liquidity Directive were again clearly surpassed at all times during the reporting period. The annual average for the liquidity ratio of the first maturity band, determined on a daily basis, was 1.40 (previous year: 1.59). It was always within a range of 1.23 to 1.63. The figure at the close of the year stood at 1.27 (end of 2011: 1.59).

Other risks

Business risk

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

For Asset Management activities, the primary risk factors are the assets under management and the amount of commission. The volatility of these risk factors is simulated for each asset class, i.e. for equities, bonds and property, using comparison indices. Parallel to this, scenarios are used to carry out a self-assessment of the material business risks for Asset Management activities. This allows the business divisions to counter the main identified business risks with risk-mitigating measures.

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

In the reporting year, the business risk fell to €405m (end of 2011: €432m). The decisive factor for this was the lower overall business risk. The risk-reducing effect arising from the decrease in net commissions in the AMK business division was partly offset by an increase in commissions in the AMI division.

Shareholding risk

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

The basis for determining the shareholding risk position is the respective IFRS book value of the equity investment. The risk is measured on the basis of the volatility of a benchmark index in the equity market.

At the end of 2012, the VaR related to the shareholding risk remained unchanged from the previous year at €37m.

Property risk

The property risk is measured on the basis of the IFRS book values of the property held in the Bank's portfolio and the volatilities in the relative changes in value of the property in the respective location. With a VaR of €6m, the property risk was of secondary importance, as was the case in the previous year (€7m).

Property fund risk

The property fund risk results from property fund units held in the Bank's own portfolio. With a VaR of €11m (previous year: €18m), the property fund risk remained at a low level and did not represent any significant risk for DekaBank. The decrease is attributable to the reduction in the Bank's own portfolio volumes.

Liquidity shortage risk

Liquidity shortage risk does not represent any significant risk for DekaBank.

Structured capital market credit products

The structured capital market credit products comprise the securitisations portfolio of the former Liquid Credits portfolio, which is no longer considered to be strategic and whose assets are being reduced while safeguarding assets. It is assigned to non-core business.

Volume development

In the securitisations portfolio, the net nominal value decreased from €1.9bn to €1.5bn in the previous year. This was primarily due to disposals that were mainly below investment-grade as well as several partial repayments.

Approach and valuation

The valuation of structured capital market credit products categorised at fair value is market-oriented. Accordingly, any changes in the positions categorised at fair value are reported directly in the income statement. No actual nominal or interest defaults occurred in the tranches in 2012. Likewise, no specific valuation allowances were required as part of an impairment test. Indicative prices from pricing service agencies and brokers are used at year-end to establish the book value of assets in the at fair value category. The book values of loans and receivables (lar) positions are determined on the basis of amortised costs. No specific valuation allowance was required for any of these positions as part of an impairment test. With regard to lar positions, no nominal and interest defaults occurred.

Rating overview

In the securitisation portfolio, 90.0% of the ratings showed an investment grade from a nominal perspective (end of 2011: 87.1%). The increase can be attributed to the fact that asset positions were primarily reduced in areas with poorer ratings. However, there were individual downgrades in the portfolio as a whole (Fig. 31).

Structured capital market credit products by rating class (nominal value in €m) *(Fig. 31)*

Product		AAA	AA	A	BBB	Non investment grade	Unrated	Total (previous year)
Structured	ABS	17	0	24	5	26	0	73 (157)
	RMBS	35	20	228	51	27	0	361 (467)
	CMBS	172	50	187	72	6	0	486 (561)
	CLO	11	259	98	68	19	0	454 (538)
	CSO	0	0	0	0	75	0	75 (75)
	Structured Finance CDO	0	0	0	20	0	0	20 (30)
Alternative	CPPI	0	0	50	0	0	0	50 (50)
Total		**235**	**329**	**587**	**215**	**152**	**0**	**1,519 (1,878)**

Country overview

The remaining structured capital market credit portfolio remains focused on countries in Western Europe. 77% of the securitisations relate to the European market. With regard to CMBS positions, a large proportion were UK securitisations as well as securitisations from the Benelux states, as is the case with market distribution. The only noteworthy positions outside of Europe are CLO and CSO securitisation transactions as well as CPPIs (Fig. 32).

Structured capital market credit products by risk country (nominal value in €m) *(Fig. 32)*

Product	Structured						Alternative	Total
Land	ABS	RMBS	CMBS	CLO	CSO	Structured finance CDO	CPPI	(previous year)
Germany	2	16	127	0	0	0	0	146 (211)
UK	15	93	174	0	0	0	0	281 (384)
Spain	1	75	0	0	0	0	0	76 (102)
Italy	23	115	13	0	0	0	0	151 (180)
Benelux	0	35	172	0	0	0	0	207 (222)
Rest of Europe	0	27	0	269	0	20	0	316 (396)
USA	32	0	0	186	75	0	50	343 (384)
Total	**73**	**361**	**486**	**454**	**75**	**20**	**50**	**1,519 (1,878)**

Maturity profile

In the case of securitised products still in the portfolio as part of the non-core business, the expected maturity is taken into consideration in addition to the legal final maturity, since the forecast cash flows can deviate from the legal cash flows. As at the 2012 reporting date, the expected remaining maturity of the positions was 4.1 years. According to current expectations, around half of the remaining securitisation positions will be redeemed or will expire by mid-2016.

Current risk situation

Based on a confidence level of 95% and a holding period of ten days as at year-end, the spread risk for the securitisation positions of the non-core business totalled €12.4m (end of 2011: €14.8m). As a result, the reduction of positions in the poorer ratings segment also impacted on the spread value-at-risk as did the reduced spread volatility.

Through lean processes we make it easier …

The aim of the investment and advisory process of the savings banks is to individually define the right asset structure for every market situation and every type of investor. "Our advisers work together with the customers to draw up their personal investment profile and then recommend the right products based on our in-house opinion," explains Karsten Pannwitt from OstseeSparkasse Rostock.

… to select the right asset structure

DekaBank assists the savings banks on their path. As part of this close cooperation, a support package was developed that offers the savings banks the entire range of services from a single source. "The new investment and advisory process provides tailored investment solutions and ensures consistently high quality advice and safety in the securities business," reports Katharina Stürmer, a consultant in DekaBank's Sales Consulting department.

Comprehensive advice that focuses on customers and their individual needs? That is something the savings banks have always offered. But you can make a good service even better, as shown by the savings banks' new positioning in the investment advice segment, which is now firmly in place with the active involvement of DekaBank. The new investment and advisory process creates greater transparency and consulting security. It stands for well-founded, tailored investment recommendations and builds on the close relationship between the adviser and the customer. In the spirit of across-the-board quality, in future the investment recommendations are to be provided in line with consistently comprehensible standards. Each savings bank will formulate its own in-house opinion regarding the expected market development and use it as the basis for precise product recommendations for the specific investment requirements of the customer.

"Many customers underestimate just how important securities are for long-term asset accumulation, especially in the current low interest rate environment," says Karsten Pannwitt, Head of Securities Management at Ostsee-Sparkasse Rostock. But in some cases, advisers, too, had reservations that needed to be addressed. "The consulting effort is simply much greater for funds and other securities than for classic savings products – just due to the extensive regulatory requirements alone," adds Pannwitt. A fundamental problem, which the new investment and advisory process is aimed at alleviating. All the documentation required under the regulations is therefore directly integrated in the process. "Our primary objective is to assist the advisers and provide optimum support at every stage of the process", explains Katharina Stürmer, a consultant in DekaBank's Sales Consulting department. DekaBank has therefore actively supported the project initiated by DSGV from the very outset.

This successful repositioning requires uniform quality standards in investment advice. These in turn necessitate a clearly structured and comprehensible product selection process, which starts with establishing the in-house opinion. Interdisciplinary investment committees in each savings bank design the in-house product portfolio, which is optimally aligned with its current assessments of the capital market. As is the case at OstseeSparkasse Rostock, these investment committees comprise experts from Sales, Sales Management and Treasury. "We discuss the current situation in the capital markets and expected developments and use them as the basis for our recommendations," says Pannwitt, explaining how the process works.

The research platform on DekaNet which was specially designed for the process provides the information required to make these decisions. While the information on DekaNet previously related mainly to the topic of fund investments, the platform now also offers a comprehensive overview of current economic outlooks, forecasts and market scenarios from DekaBank's Macro Research team. The savings banks have direct access to analyses regarding funds, certificates and individual securities as well. "That forms a sound discussion basis for our selection process," emphasises Pannwitt.

Impetus to actively address customers

The second stage of the investment process is specifying the right portfolio structures, and during this step, the investment committee can utilise the target portfolios." These portfolios, which are developed for the customer various risk profiles by investment strategists at DekaBank, are updated every month and can be accessed on the research platform as well," explains Stürmer. Based on the respective market opinion, they show ideal weightings between defensive and opportunity-oriented investment approaches. The portfolios are made up of four investment classes – liquidity, bonds, equities and real estate.

The third stage of the investment process is also supported via DekaNet, with a selection of various product baskets and concrete recommendations. The final decision is then in the hands of the investment committee: "Not all of our customers are the same. Consequently, there is at least one alternative recommendation for each main product. The adviser can thus suggest the variant that is the best fit for the customer's portfolio," stresses Pannwitt.

DekaBank supports the advisory process as well, by providing specific impetus for actively addressing customers. The adviser is notified if the asset structure deviates from the "ideal line" for example, or if the investment committee's assessment of the markets or individual securities changes.

The further development of DekaNet was initiated with the DSGV project. By implementing the project's results into DekaBank's support process, a central management element for the securities business of the savings banks has now been established. "Today, we assist the savings banks throughout the entire investment process and provide all the necessary information via the research platform on DekaNet," summarises Stürmer. In this regard, it was important to align the information offered precisely to the requirements of the savings banks, working in close cooperation with those responsible at the selected savings banks, which include OstseeSparkasse Rostock. DekaNet's expansion is an ongoing and long-term process, which takes best account of the needs of the savings banks.

The end customer will be largely unaware of how much additional expertise ultimately flows from DekaBank's specialist teams into the advisory service via the new investment process. The contact person for all questions related to investment advice will continue to be his savings

"We assist the savings banks throughout the entire investment process and provide all the necessary information via the research platform on DekaNet."

Katharina Stürmer,
DekaBank Sales Consulting Adviser

Comprehensive view of the customer

The new investment and advisory process at the savings banks focuses on the individual needs of the customer – and DekaBank is contributing to its intelligent implementation. In order to provide the best possible support for the customer when optimising his investment strategy, the adviser needs to have a clear picture of the structure of the customer's assets. Together with the DSGV, the Sparkassen Finanz Informatik and the *Landesbanken* DekaBank is working intensively on a solution that is set to be rolled out in 2013.

Although the necessary information is in principle currently already available to the advisers, the securities account information relating to funds, individual securities and other asset classes is held on three separate platforms: DekaNet, OSPlus and WPDynamik. To unify these data worlds, the Deka-Vermittlerreporting software will be fully integrated into the savings banks OSPlus software. This integration will produce an analysis tool that should be ready before the end of 2013 and will show the composition of the customer's securities account at the touch of a button.

banks adviser. "The only change they will notice is the procedure during the consultation session," says Pannwitt, reporting on the initial experiences gained. Whereas previously the customer sat across from the adviser, who made notes, now they both sit and look at the screen together and draw up a tailored investment strategy during the structured consultation session. The consultancy software visualises the current allocation of the customer's assets to the different asset classes for example, as well as deviations from the recommended target portfolio, and provides customised ideas for each consultation session. "In this way, in the future, every savings bank customer will receive more individualised advice, similar to the approach that used to be only standard in asset management in particular," summarises Pannwitt.

The service has been well received by customers and advisers alike. Customers now find it significantly easier to understand the investment recommendations. The advisers appreciate the even stronger focus on customers, reduced administrative burden and greater consulting security, which also encompasses the close interlinking of advice with regulatory requirements. Previously, three different forms had to be completed after the consultation session; now all the adviser has to do is fill in the input mask during the meeting. Most of the information in the consultation record required by law is automatically completed at the same time. At the end of the process, in addition to a tailored asset structure, all of the documentation required under the regulations along with a clear and understandable printout is ready for the customer to take with him.

Report of the Administrative Board

The work of the Administrative Board in the past financial year essentially reflected DekaBank's new strategic direction following the acquisition of 100% of the shares by the savings banks. In its work, the Administrative Board was supported in an advisory capacity by the Business Strategy Committee, a working party of the shareholders.

Report of the Administrative Board

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

Key issues of Administrative Board meetings

In 2012, a total of five meetings took place, during which the Board of Management informed the Administrative Board about the Bank's current business trend and profit performance, the risk position as well as the Group's strategic direction. The Administrative Board approved the medium-term planning for the years 2013 to 2015 submitted by the Board of Management. In accordance with the minimum requirements for risk management of German credit institutions, the Board of Management also reported on and discussed the business and risk strategies with the Administrative Board. The reports on the activities of the Internal Audit department and the Compliance unit as well as the remuneration report for financial year 2011 were also submitted to the Administrative Board.

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

One particular focus of the work of the Administrative Board in financial year 2012 was the new strategic direction of DekaBank following the change in shareholder structure that took place in 2011. The Administrative Board was advised in this respect by the Business Strategy Committee, a shareholder working group. In addition to the Chairman and individual members of the Administrative Board, this committee also includes other representatives of the shareholder base. The Business Strategy Committee reported on the results of its deliberations in the Administrative Board meetings. Following detailed discussions, in its meeting on 12 September 2012 the Administrative Board approved the strategy recommendations made by the Business Strategy Committee, which in particular include the development of DekaBank as a fully-fledged securities service provider of the savings banks. The Administrative Board tasked the Board of Management with implementing the necessary measures in this regard.

The Administrative Board was provided with regular reports about the repercussions of developments on the international capital markets on the earnings, liquidity and risk position of the Bank, as well as the management measures taken by the Board of Management. The Administrative Board also received regular reports about the status of ongoing projects, such as the realignment of the IT system.

Administrative Board Committees

The General Committee, the Audit Committee and the Credit Committee supported the Administrative Board in its work and prepared the issues and resolutions to be covered in the main Board meetings. The committees' tasks are specified in the Administrative Board's rules of procedure.

The General Committee met six times in the past year, focusing primarily on DekaBank's business model, the strategic development of the company and in this regard, on the potential amalgamation of the activities of DekaBank and Landesbank Berlin. It also dealt with Board of Management matters, including the assignment of business and the remuneration policy in the DekaBank Group.

The Audit Committee met four times in 2012. It conducted a detailed review of the financial statements and consolidated financial statements. It also verified the requisite independence of the auditors, commissioned the auditors to perform their audit based on the specified focal points and concluded an agreement on their fees. Furthermore, the Audit Committee carried out a tender for the annual audit as of financial year 2013 and presented the results to the Administrative Board.

The Audit Committee extensively reviewed the DekaBank Group's accounting and risk management systems and obtained reports on the audit activities of external auditors, the Internal Audit department and the Compliance unit. The Audit Committee acknowledged the report on the Internal Control System (ICS) and conducted a detailed examination of DekaBank's risk situation. This examination included credit, market price, liquidity and operational risks as well as other types of risks, such as business and shareholding risks and legal and reputation risks.

The members of the Credit Committee met four times in the reporting year. In its capacity as a loan approval body, the Committee passed relevant resolutions and reviewed and familiarised itself with the risk situation in the lending business. In addition, it discussed the business policy alignment in the lending business as well as the lending risk strategy with the Board of Management. The Committee also discussed the authorisation guidelines in DekaBank's lending process.

The Chairmen or the Deputy Chairmen of the General, Audit and Credit Committees reported to the Administrative Board on a regular basis concerning the results of consultations held by the respective Committee.

Audit and approval of 2012 financial statements and consolidated financial statements

The DekaBank Shareholders' Meeting appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC) as auditors for the 2012 financial year. PwC audited the 2012 financial statements of DekaBank and the management report as well as the consolidated financial statements, including the notes and Group management report, and issued an unqualified audit opinion on them.

The specified financial documents and reports of PwC were promptly forwarded to the members of the Administrative Board. 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 auditors' report. Based on the final result of its review, there were no objections.

The Administrative Board approved the 2012 financial statements and submitted a proposal to the Shareholders' Meeting regarding the appropriation of the accumulated profit.

On the recommendation of the Administrative Board, the Shareholders' Meeting resolved to change auditors, and appointed KPMG AG Wirtschaftsprüfungsgesellschaft as the auditing firm for financial year 2013.

Changes in the Board of Management and Administrative Board

The Administrative Board dismissed Franz S. Waas as a member and Chairman of the Board of Management of DekaBank with effect from 2 April 2012. Oliver Behrens was appointed Acting Chairman of the Board of Management.

The Administrative Board appointed Michael Rüdiger as a member and Chairman of the Board of Management with effect from 1 November 2012. At the same time, Oliver Behrens was named Deputy Chairman of the Board of Management.

Hans-Jürgen Gutenberger retired at his own request on 31 July 2012. The Administrative Board would like to thank Mr Gutenberger for the work he has done for DekaBank during his more than 12 years on the Board of Management. His duties as Chief Sales and Marketing Director were assumed by Dr. Georg Stocker, who was appointed as a member of the Board of Management by the Administrative Board with effect from 1 August 2012.

In its meeting on 28 January 2013, the Administrative Board appointed Martin K. Müller as a further member of the Board of Management. Mr. Müller will presumably take up office on 1 May 2013.

The Chairman of the Administrative Board, Heinrich Haasis, resigned from his post as President of the DSGV e.V. on 15 May 2012 and thus also from his positions on the DekaBank Administrative Board. On 16 May 2012, Georg Fahrenschon was appointed his successor as Chairman of the Administrative Board and General Committee. The Administrative Board would like to thank Heinrich Haasis for his valuable work and contributions over many years and his immense personal commitment to DekaBank.

Thomas Mang was elected second Deputy Chairman of the Administrative Board with effect from 1 January 2012.

Government supervision of DekaBank is exercised by the Federal Minister of Finance, who can appoint a state commissioner and deputy state commissioner. He did not exercise this right in 2012.

DekaBank performed well in financial year 2012 in a persistently difficult market environment. The Board of Management and the employees were key factors in this success. The Administrative Board would like to thank them for their considerable personal commitment and successful achievements.

Frankfurt/Main, 8 April 2013

The Administrative Board

Georg Fahrenschon
Chairman

We develop a sustainable business policy ...

"How sustainable are DekaBank's products and processes?" This is the sort of question which concerns Dr. Klaus Gabriel from CRIC e.V. As the Managing Director of the Corporate Responsibility Interface Center, a platform for the promotion of ethical investment, he ensures that sustainability is not merely used as a marketing tool. "DekaBank is one of the big banks in Germany that adopted a sustainability strategy quite some time ago," comments Dr. Gabriel. "However, if you want to gain, maintain or expand trust in this area, you have to be able to stand up to scrutiny."

… in dialogue with our partners

"Open communication with all stakeholders is a central pillar of our sustainability strategy," explains Michael Rüdiger, CEO of DekaBank. He believes that also facing critical questioning as part of this strategy is particularly important. "It helps us identify specific opportunities where we can achieve further improvements in terms of sustainability." Consequently, Rüdiger seeks a direct dialogue with experts from organisations like CRIC and responds to Dr. Klaus Gabriel's questions on the subject of sustainability at DekaBank.

Dr. Klaus Gabriel: Mr. Rüdiger, what potential do you think investments in sustainability funds have to bring about a change in business practices?

Michael Rüdiger: Primarily, it's about a change in attitude. As the fully-fledged securities service provider of the savings banks, we act responsibly by taking ethical, environmental and social aspects into account in our product concepts.

What does that mean exactly?

We don't invest in cluster bombs for example, or in companies in crisis-stricken countries. The investment criteria for our sustainability funds are particularly stringent, and so far our investors have invested around €2bn in these funds. Inferring a change in business practices from this would be going too far. However, what we can say is that because many investors now require defined sustainability criteria to be taken into consideration, companies have adapted accordingly. Whether in meetings with investors or at annual general meetings, the subject of sustainability is playing an increasingly important role.

How do you ensure that by investing in a sustainability fund, investors will not have any involvement in activities that are socially questionable or environmentally harmful?

That's a difficult question to answer because the assessment of such criteria largely depends on the individual attitude of the respective investor, and this is particularly true in the case of ethical and social aspects. With institutional investors, we therefore define a very detailed set of criteria for their funds. In the mutual funds business, that approach does not work on an individual basis. In that case, we are guided by international standards which we rigorously implement, and we also work together with the recognised sustainability agency imug – the *Institut für Markt-Umwelt-Gesellschaft* (institute for market, environment and society).

"The issue of sustainability is practised in the savings banks at an in-depth level not seen in any other banking group."

Michael Rüdiger, CEO of DekaBank

As a major shareholder, DekaBank has a say-so at many annual general meetings. How do you use the voting rights when it comes to sustainable equity funds?

We exercise our voting rights for our investment funds on an overall basis, not fund by fund. If we hold investments in a company – say Siemens for example – in 40 different funds, we still act as one investor. This has the advantage of increasing the level of influence we have. We regularly raise sustainability issues in investor meetings, and in general, these topics are also much more prominently addressed at annual general meetings than in the past. The aspects under scrutiny vary depending on the sector and the company in question. For instance, with regard to electric power companies, we are currently looking very critically at what their responses are to the imminent energy reform.

Many people have reported that they have never been offered a sustainability fund in their banks, and this includes savings banks. Why is that?

I believe that sustainability is firmly embedded in the savings banks group at an in-depth level not seen in any other banking group. Nevertheless, it is possible that the subject is not actively addressed by every single customer adviser in the around 15,500 branches. There can be several different reasons for this, one of them certainly being the high level of complexity associated with this issue.

What are you doing to establish sustainable investing even more firmly on a broad basis?

We have a very good range of products. We proactively support the advisory process in the savings banks by providing comprehensive information which can also be used directly in the consultation session. In the past year in particular, we introduced many innovations in this area.

Aren't sustainable financial products sometimes just a trick to charge higher fees?

No. The fees are not different to those of comparable classic funds. Nevertheless, our management costs in this regard are considerably higher, as the investment process has to be supplemented by the sustainability analysis. Plus we also need the expertise and relevant specialists to deal with this important issue. However, these additional expenses are not passed on to the investors.

Why has it taken Deka so long to decide to follow the UN PRI Principles, which after all set out guidelines for responsible investment?

Because for us, a commitment to such important guidelines means that we would like to be able to fully comply with the defined principles, and in all market phases. In my opinion, the responsible thing to do is to critically analyse beforehand whether that is feasible. That's exactly what we did, and we then signed the UN PRI Principles in October 2012.

Investing responsibly

For DekaBank, the dialogue with stakeholders is an integral part of its sustainability strategy. This year, DekaBank met with Dr. Klaus Gabriel to answer his critical questions. As the Managing Director of CRIC (Corporate Responsibility Interface Center), the largest platform for the promotion of ethical investments in the German-speaking area, Dr. Gabriel represents the interests of the growing number of investors who want to invest their assets responsibly.

CRIC sees itself as an information platform and centre of competence that aims to strengthen the emphasis on environmental and socio-cultural aspects in companies. The association supports the idea of a just and sustainable market economy. To promote ethical investments, CRIC engages in a dialogue with representatives from business, politics and society.

CRIC
VEREIN FÜR ETHISCH ORIENTIERTE INVESTOREN

DekaBank has decided to no longer invest in staple foods. Other banks do not see any problem here. What motivated your decision?

Investments in staple foods have attracted criticism due to ethical and social concerns, and we wanted to take a clear stance. Although there is no scientific consensus so far which shows that the price increases for particular foods are due to financial investments, the link cannot be completely ruled out either. With regard to our Deka-Commodities fund, we therefore decided to refrain from participating in the movement in prices of staple foods. And our investors have appreciated this.

"Green buildings" are an important topic when it comes to your property investments and their share of the portfolio is to be increased to 40%. Why not 100%?

There's no question that we are aiming for the highest possible proportion of certified buildings. However, you have to remember that we hold property assets totalling some €23bn in our funds. The lack of corresponding property alone makes it impossible to completely fill our portfolio with buildings that have a sustainability certificate.

But nonetheless you want to further increase their share in the portfolio?

We do, and that's why for new acquisitions, we are giving preference to buildings that already have such a certificate or can be subsequently certified. However, the situation is more difficult when it comes to the properties already in the portfolio. But we are consistently working on optimising each property in terms of sustainability in order to obtain certification. Our German properties, for instance, only use electricity from renewable energies. And greater sustainability also delivers direct benefits for the investors, because these properties are more attractive to tenants with high credit ratings, which in turn has a positive impact on the performance of our funds.

What is your attitude to sustainability with regard to your own financial investments?

For me personally, investing responsibly is an unwavering basic principle and includes carefully scrutinising whether an investment meets my requirements from a social and ethical point of view. Consequently, I look very closely at suitable products before I invest. Then I decide which one best fits my personal investment strategy. I would advise every investor to do the same.

Sustainability report 2012

The savings banks can count on DekaBank as a responsible and credible partner for sustainable financial investments. Our commitment is not restricted to our growing range of fund products that meet particularly high standards in terms of ethical, environmental and social criteria. Moreover, we view sustainability as an ongoing learning process that encompasses all areas of the Bank's operations. We firmly believe that the continual further development and consistent implementation of our sustainability strategy make a major contribution to increasing the value of the company and are therefore in the interests of our owners.

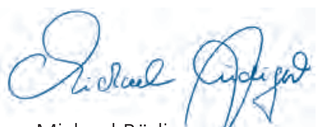
Dear Shareholders and Investors,

In everything we do, we take responsibility for people and the environment. This is at the heart of our understanding of the concept of sustainability. And here we endeavour to live up to the expectations of our stakeholders, as well as our own expectations. These range from a long-term and sound business model for our owners through to an established and sustainable product offering for the growing number of customers looking for sustainable investments right up to energy-efficient banking.

There is a great deal of activity in these areas, as there is with regard to all other issues relating to sustainability. Nowhere is the momentum as great as in sustainable financial investments. We know that investors are not just looking at their own investments, but also at the extent to which their asset manager acts on a sustainable basis. We consequently set up new sustainability funds and have seen the corresponding investment volume rise to over €2bn. At the same time, in addition to the exclusion criteria already in place, investments in assets speculating on the movement in prices of food staples were ruled out in all of the funds. In 2012, we became a signatory to the UN PRI Principles, highlighting our commitment to continue to review and further develop our sustainability criteria in the future as well.

DekaBank has been publishing its Sustainability report yearly as an integral part of its Annual Report since the 2009 reporting year. Through this, we emphasise the fact that sustainability is closely linked with the Group's long-term commercial success. As a member of the UN Global Compact, we expressly support its ten principles and the present report simultaneously serves as a communication on progress for the UN Global Compact. Further details on our progress can be found in the report on page 109.

The Board of Management of DekaBank is aware of its corporate responsibility. We know that DekaBank has achieved a great deal, but there is still more to do. We therefore want you to continue to challenge us and look forward to the dialogue with you and to our shared successes in the future.



Michael Rüdiger
CEO

Sustainable corporate governance

Sustainability is not a short-term fad, but rather a process that encompasses the entire value creation chain and helps to ensure economic performance on a long-term basis. In line with this conviction, we have made the principles of a business strategy that is sustainable in economic, environmental and social terms a firmly established component of DekaBank's mission. The overarching importance we attach to this issue is also reflected by the fact that the DekaBank Board of Management is responsible for the sustainability strategy. In this regard, the Board of Management is supported by the Sustainability Management unit, which has been in charge of implementing the strategy and coordinating the relevant activities throughout the Group since March 2013. The cornerstones of our sustainability strategy are our internal regulations on the one hand, and internationally recognised standards on the other.

DekaBank views the implementation of its sustainability strategy as a dynamic process in which we regularly review whether we are achieving our goals and what adjustments need to be made, if any. One example of how we monitor the success of the implemented measures is the "Sustainability Round Table", a regular meeting comprised of ten members of the management team from various functions within the Group that was established to support and foster communication between the Board of Management and the Group units. In the reporting year, a decision was made to raise awareness of the discussion on sustainability issues at the operational management level, and this measure is being carried out via both unit-specific and cross-unit management committees. These include the management committees of the business divisions, the sales committees in Sales, the management committees of the Chief Operating Officers of the individual business divisions and the Corporate Centre manager.

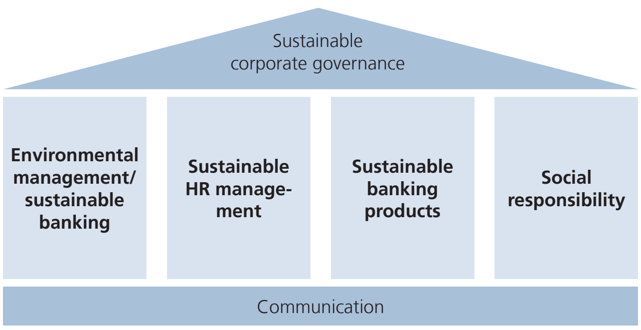
Internal regulations

DekaBank's code of ethics, which was adopted five years ago and updated and revised in 2011, serves as the internal guideline for our activities. The code does not merely prohibit actions which run counter to a strategy that is sustainable in ethical, social and environmental terms, but also obliges our employees to adopt a proactive approach.

The code of ethics specifies binding guidelines on aspects such as governance and cooperation. Among other things, it also reflects the solution-oriented cooperation between the units in the spirit of "One Deka" and includes our commitment to diversity. The code of ethics provides the orientation framework for both a legally-compliant and open corporate culture. The principles formulated in the code are summarised in the categories of professionalism, responsibility, trust, collegiality, sustainability, diversity and communications. The principles apply to the entire Group, including to all of our major shareholdings and companies.

DekaBank's sustainability strategy addresses the actual implementation of our objectives with regard to environmental, social and corporate governance issues. It is a comprehensive approach based on six defined areas of action: sustainable corporate governance, environmental management/sustainable banking, sustainable HR management, sustainable banking products, social responsibility and communications. These areas of action therefore also determine the structure of the current Sustainability report.

DekaBank's comprehensive sustainability approach *(Fig. 1)*



Of these issues, compliance is becoming increasingly more important. DekaBank depends on the confidence that its customers, shareholders and the public have in its services and integrity. The conduct of our employees has a major impact on this confidence. It is therefore essential that the compliance standards are complied with in order to safeguard the reputation of the DekaBank Group. The DekaBank Group's Compliance unit monitors all business divisions whether the services offered are provided with the required professional knowledge, care and diligence in the best interests of the customers. Compliance provides employees with the regulations and guidelines required to ensure responsible and legal conduct. This safeguards the interests of our customers and prevents conflicts of interest. Moreover, the Compliance Office identifies potential conflicts of interest, and through precautions and detailed countermeasures, ensures that the Group is not only operating in line with legal and regulatory requirements, but also in accordance with internal rules and regulations.

In light of the growing regulatory requirements being imposed by the supervisory authorities with respect to the business activities of banks, the Board of Management resolved to further strengthen the Compliance function and set up a new M1 Group Compliance unit on 1 April 2013. In the future, matters concerning capital market and real estate compliance along with anti-money laundering, counter-terrorism financing, EU sanctions and embargos as well as the prevention of fraudulent and other criminal acts will come under the umbrella of Group Compliance.

The remit of Group Compliance essentially extends to the development and implementation of Group-wide standards and guidelines, consulting and training on relevant questions related to compliance, as well as participation in projects and processes to fulfil all of the relevant regulatory requirements. Furthermore, ongoing monitoring and control activities as well as the systematic management of potential compliance risks will become even more important in the future. The code of ethics, the sustainability strategy and the information and statements regarding DekaBank's compliance standards are available on our website at www.dekabank.de.

Data privacy and protection is also a top priority at DekaBank. To avoid conflicts of interest, the Data Protection Officer is independent of the Compliance unit and is based in a separate unit in the Legal Affairs Corporate Centre. All employees have access to the relevant information on the topic of data protection, via the intranet and the Bank's in-house magazine, for example. Obligatory online tests on data protection ensure that DekaBank's employees are fully aware of this information.

Tip-offs and suspicious cases, particularly regarding fraud, can be reported via DekaBank's established ombudsman system. The experienced, external ombudsman is available as a point of contact for employees and also conducts the necessary investigations, if required.

International standards

As a member of the Global Compact of the United Nations (UN), DekaBank is part of the world's biggest and most important network for corporate responsibility and corporate social responsibility. Across the globe, more than 7,000 companies as well as employee, human rights, environmental and development organisations have signed up to the Global Compact. Events are held regularly at a global, regional and national level and enable Global Compact participants to share experiences and exchange information.

By joining the Global Compact in 2011, DekaBank also made an official commitment to follow a set of ten core values in its area of influence that were already firmly established in the company as part of our sustainability principles. For instance, these values include the protection of human rights, compliance with labour standards, proactive environmental protection as well as measures to combat all forms of corruption. Through its partnership with the United Nations, DekaBank has additionally undertaken to publicly communicate how it implements these core values in practice. This is done in the form of a communication on progress by the CEO in a new section at the beginning of this year's Sustainability report.

The requirements of the UN Global Compact form the basis for sustainability criteria in the investment process, in procurement and in other areas of action. The corresponding reports must be submitted to the UN Global Compact once a year. As with the GRI (Global Reporting Initiative) criteria, explanations regarding the relevant points of the UN Global Compact are presented in both this Sustainability report and in other sections of the Annual Report, particularly the Group Management Report. Further information is contained in the Environmental Report of the DekaBank Group at www.dekabank.de. To better document the role that the UN Global Compact plays in our business, these principles are taken into account in the GRI Content Index, which we have published online at www.dekabank.de. The content in the table there was supplemented by references to the corresponding principles.

The Equator Principles are another major international standard that we have undertaken to uphold. The ten principles governing the consideration of social and environmental standards, which are based on the guidelines of the World Bank and the International Finance Corporation, form the basis for evaluating our project financing activities. As with the other international standards we follow, the Equator Principles had already been taken into account in our processes for some time before we officially signed them in 2011.

Environmental management/sustainable banking

Corporate responsibility for environmental and climate protection is a factor that affects the competitiveness. The careful use of resources not only offers substantial potential for savings, but also helps convincingly demonstrate our sustainability principles both within and outside the company. This makes a valuable contribution to increasing the value of the company over the long term and is therefore also in the interests of our shareholders. Consequently, and in order to meet our social responsibility, DekaBank has adopted environmental guidelines, which are based on our sustainability strategy. These guidelines are actively communicated within the Group and to our business partners and customers. The "IdeasComplaintsEnvironmental Management" unit at the Sustainable Management department is responsible for coordinating the implementation of the various measures aimed at environmental protection and resource conservation in the different divisions at the operating level. It is headed by DekaBank's Environmental Officer.

The regular recertification of DekaBank's environmental management system, which has been in place since 2009, was carried out in compliance with internationally recognised DIN standard EN ISO 14001 in April 2012. During this process, all activities related to environmental management and product ecology were audited by AGIMUS, an external environmental consulting firm, which gave an exceptionally positive rating with regard to developments in the area of business administration and individual measures in building management. Moreover, it was noted that DekaBank has successfully established sustainability and environmental protection in its corporate culture. According to the consultants, this is also increasingly evident in DekaBank's ambitious targets in relation to sustainability.

Using sector-specific environmental indicators in accordance with the VfU (*Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V.*/Association for Environmental Management and Sustainability in Financial Institutions), our environmental management system delivers an annual corporate environmental balance sheet, which is utilised to draw comparisons with the previous year. The environmental balance sheet covers all the locations in Frankfurt/Main and thus around 76% of all DekaBank employees. The consumption of paper, energy and water is determined in detail, and data on business travel and waste-related issues is examined.

The results of the survey, optimisation potential and planned improvement measures are collated in DekaBank's Environmental Report, which has been published annually since 2009 and is available for download at www.dekabank.de. This report is generally published several months after the Sustainability report, owing to the greater complexity of gathering and analysing the data. The Environmental Report for financial year 2012 is scheduled for publication at the end of 2013.

Access to information related to environmental protection

Various initiatives were carried out in the reporting year to enhance the information provided internally within the Group on current developments in environmental protection and sustainability. As in the previous year, the "IdeasComplaintsEnvironmental Management" unit gave presentations for the Group's employees and trainees outlining the environmental management system and sustainability initiatives in 2012. Information events on these issues will again be held in the coming years. In addition, the unit has its own page on the internet, which was redesigned in the reporting year and contains regular reports on the unit's activities.

To promote the exchange of information and improve the coordination of activities, the "WikiSustainability" platform was set up for those employees whose day-to-day work is particularly closely linked with issues related to sustainability. Furthermore, all DekaBank employees can access the www.umwelt-online.de platform, which lets them stay up-to-date on environmentally relevant legal regulations and laws as well as current changes. News on the latest amendments to environmental legislation is also promptly posted on the intranet.

Procurement management

To ensure that our suppliers and service providers also operate in line with our sustainability strategy, Procurement Management has drawn up a sustainability agreement, the cornerstones of which comprise the compliance and environmental requirements specified in our sustainability policy. At present, 80% of our expenses for goods and services are attributed to suppliers who have either signed Procurement Management's sustainability agreement or have submitted their own sustainability agreement with the same content and targets. By the end of 2013, we aim to procure our goods and services exclusively from suppliers who have confirmed in writing that they comply with the sustainability principles set forth by Procurement Management.

To make sure this is not just lip service, annual audits will be conducted at new and existing suppliers in the future, and will be carried out in conjunction with DekaBank's Procurement and Environmental Management units.

The sustainability agreement obliges our contractors to proactively ensure compliance with ethical, social and ecological standards in their own company and by their suppliers. These standards are derived from the principles of the UN Global Compact and other international treaties and standards aimed at protecting human rights, the common good and responsible use of natural resources. The obligations are described in detail on our website at www.dekabank.de.

When issuing tenders for building management services, we also make sure that our sustainability principles are upheld. All work is carried out in a way which ensures that the health of those using the building is not adversely affected or endangered. Minimum ecological requirements and legal occupational health and safety regulations must be met. However, it is also important for us that suppliers comply with international environmental and social standards. When awarding contracts, preference is given to suppliers who can provide evidence of this with an industry standard seal or recognised and accepted environmental seal. This preference is indicated during the tender process. All contractors in the building management sector undertake to perform the services to be provided in accordance with a quality management system under ISO 9001 et seq.

Resource consumption, waste and emissions

Our measures to reduce the consumption of resources focus on our use of paper, energy and water. When monitoring emissions, we particularly centre on carbon dioxide and the greenhouse gases regulated in the Kyoto Protocol. In this reporting year, we once again recorded a drop in the total amount of direct and indirect emissions of greenhouse gases as compared with previous years. Another key element is to cut the volume of waste, and in this respect, our successes in the reporting year demonstrate that the measures we instigated are now taking effect.

To maintain an appropriate balance between economics and ecology in our reporting, the printed version of this year's report is limited to new initiatives and indicators that show a significant change up or down in a year-on-year comparison. The complete statistics on resource consumption and changes in emissions are available for download at www.dekabank.de.

Within our environmental management system, we use the SoFi sustainability software to monitor the individual material and energy flows as well as to calculate the relative indicators and CO_2 emissions. Extrapolated values are used to meet the data integrity requirements of the relevant environmental management and CO_2 standards, such as the VfU indicators and the GHG Protocol. Consequently, if data gaps occurred, extrapolated values, for example based on employee numbers, were used initially and then subsequently replaced by the actual consumption figures.

The volume of waste generated decreased by 11% in the reporting year 2011. As was already the case in previous years, the volume of waste per employee is substantially lower than in other financial institutions. Pollutants such as oil or chemicals were not released.

DekaBank ensures that paper consumption is continually being reduced in all areas of the Bank's operations. The high energy and water consumption incurred in the process of manufacturing paper accounts for a major share of DekaBank's environmental impact. We aim to mitigate this negative effect by increasing the proportion of recycled paper we use. Where this is not possible, for example for glossy brochures, we rely on the use of FSC-certified paper (Forest Stewardship Council), since practising sustainability when logging the timber required for paper manufacturing significantly affects the environmental balance of paper. We have exclusively been using

PEFC-certified paper (PEFC – Programme for the Endorsement of Forest Certification) for our printed advertising materials and publications for some time now, and in 2012 we switched the production of all of our marketing brochures to PEFC paper as well.

DekaBank's carbon footprint is primarily influenced by emissions related to energy consumption in office buildings and employee mobility. Worldwide, the buildings sector alone accounts for around 30% to 40% of the total end energy consumption. Globally, buildings therefore produce more CO_2 emissions than the transport sector. This figure impressively highlights the key contribution that energy management for buildings can make. Improving the energy efficiency of our buildings is therefore particularly important to DekaBank. For this reason, the energy-intensive halogen lights in the Trianon building are being successively replaced with LED lights.

We have also increased the share of electricity from renewable energy sources and since 1 January 2013, our Luxembourg location has been powered solely by green electricity. The Frankfurt/Main locations switched to 25% green electricity at the same time. This is set to cut CO_2 emissions by around 964 tonnes over the year, which roughly corresponds to the emissions produced in a year by 90 people with average electricity, consumption and transportation usage levels.

At DekaBank, mobility is the biggest factor determining CO_2 emissions. In order to reduce CO_2 emissions from its own vehicle fleet as a first step, DekaBank now uses vehicles powered by natural gas for all of its couriers in Frankfurt/Main. The red, natural gas caddies with the Deka logo are distinguished by their extremely low consumption of 5.9 kg CO_2 per 100 km. Electric cars for couriers are used at the Bank's Luxembourg location.

ECO driving training was introduced for DekaBank employees as a new measure for fleet management. The training started in 2012 and the aim is to drive economically, ecologically, calmly and safely, yet without any sacrifice in terms of speed, and can reduce fuel consumption by as much as 20%.

To reduce indirect CO_2 emissions, the access cards used by DekaBank employees are made of bio-based PVC. The material is compostable and is therefore very environmentally friendly. According to the CO_2 certificate, by buying these cards, we have prevented emissions amounting to 0.9 tonnes.

Direct greenhouse gas emissions totalled 987 tonnes in 2011, versus 1,032 tonnes in the previous year. Indirect greenhouse gas emissions decreased to 10,301 tonnes in 2011 (previous year: 10,609). Overall, direct and indirect greenhouse gas emissions were thus lower by around 2.7%.

Further initiatives to improve environmental performance

To further improve DekaBank's environmental performance, we welcome corresponding suggestions from our employees and reward them as part of our ideas management system. Initiatives are also regularly prompted by various departments. For example, an extensive in-house campaign to reduce printouts and colour copies was carried out in 2012. In addition to the appeal via the intranet, attention-grabbing informational posters were affixed to the copy machines in all departments in order to raise employee awareness of the problem.

Another example is DekaBank's participation in the first "Veggi Day" on 19 September 2012 in Frankfurt/Main. The day of action saw participating company canteens, restaurateurs, schools and daycare facilities expand their offering of vegetarian dishes as part of the initiative by the "Learning Sustainability in Frankfurt" network.

Sustainable HR management

Attracting qualified staff and retaining them over the long term is a key factor in DekaBank's commercial success. We aim to provide a safe, healthy, trustful and inclusive working environment in which the expertise of every individual is utilised for the benefit of the value-driven overall bank strategy. Consequently, and in view of the demographic development, we are also interested in helping our employees further develop their qualifications and skills. Additional elements include a lifecycle-based HR management approach and proactive healthcare and health management to ensure employee performance on a sustained basis. Flexible working hours and targeted solutions to ensure a good work-life balance enable our employees to combine work with family life. Our HR management is rounded out by a transparent and performance-related remuneration system that does not offer false incentives.

Diversity as a competitive factor: It is good that our employees are all different. The cultural diversity, varying life experiences and talents of our staff correspond with the diversity of our customers and their requirements. It therefore goes without saying that we equally appreciate, foster and include the individual capabilities and skills of young and old, men and women, people with and without disabilities, as well as employees with different cultural and ethnic backgrounds or sexual orientation. To better reflect the diversity of our employees at the management level, we updated and fundamentally revised our equal opportunities plan in 2012.

The analysis of DekaBank's efforts in promoting equal opportunities to date showed that the work-life balance has improved significantly since the first equal opportunities plan was launched in 2003. Nevertheless, we have to concede that the proportion of women in managerial positions has not risen notably since then.

Proportion of women in management levels[1] *(Fig. 2)*

% (Group Germany)	**2012**	**2011**
1. Top management (M1)	10.7	8.7
2. Middle management (M2)	10.1	8.8
3. First level management (M3)	20.3	20.0
Total management	16.3	15.6
Total proportion of women	**39.4**	**38.1**

[1] As of 31 December.

Consequently, improving the positioning of women in DekaBank is a priority in the new equal opportunities plan, and targets were quantified for this for the first time. By the end of 2015, we are aiming for 20% of the executive positions to be held by women. During that same period, we intend to achieve a proportion of 25% among the employees who are under non-tariff contracts. At the end of 2012, 16.3% of managerial positions were held by women and 21.7% by employees under non-tariff contracts.

Furthermore, we intend to establish the issue of equal opportunities even more firmly within the corporate culture at DekaBank over the next few years and will continue our measures to improve the work-life balance. Individual plans for each organisational unit are therefore being prepared in discussions with top management. In addition, regular parents' group meetings are held, where DekaBank employees can talk about questions and solutions related to the work-life issue. To support the career advancement of talented women, we will also continue to offer special seminars and regular information and discussion sessions on the topic of equal opportunities.

The management continues to support the work of DekaBank's two Equal Opportunities Officers. They serve as advocates and contact persons and organise the *DekaFrauenFokus* (Deka Focus on Women), which is held several times a year and provides women with a forum to discuss topics that affect them at work.

The team representing severely disabled employees represents the interests of employees with disabilities or restricted mobility. The members of the team also act as the point of contact for severely disabled employees.

Respect for different religions is also a firm part of our corporate culture. Consequently, various lounges have been set up for prayers that can also be used for meetings on religious topics.

Flexible working time models

In the DekaBank Group, 59.6% of the employees do not participate in the time recording system. This compares with a figure of 58.7% in 2011. The proportion of employees not allocated to any working time model, because they are temporary staff or for other reasons, stood at 1.7% at the end of 2012. On average, 56 temporary staff members were employed during the year.

Part-time ratio[1] *(Fig. 3)*

% (Group Germany)	2012	2011
Male	4.5	4.5
Female	30.5	29.2
Total	**14.2**	**14.0**

[1] As of 31 December.

Through special working time models, we aim to give fathers and mothers more time for their family. The success of our approach is demonstrated by the increase in the percentage of employees working part-time in the DekaBank Group (Germany) to 14.2% in 2012 (2011: 14.0%). Overall, DekaBank offers more than 200 different working time models. In addition, we give our employees the option of taking unpaid leave, which also helps improve the work-life balance.

However, DekaBank is also keen to enable parents to return early to work should they wish to do so. We therefore offer crèche and daycare spaces as well as childcare in the event of an emergency. As we cannot cover the demand in full, we also help our employees organise childcare by providing advice and arrangement services, as well as financial support for holiday programmes for their children. We provide funding for up to ten days at a holiday programme per child per year.

On average, female DekaBank employees return to work 14 months after the birth of a child. Since 2008, an average of 45 male employees each year have utilised the option to take parental leave and spend an average of two to three months at home caring for their children.

As a result of demographic developments as well, the issue of caring for family members is playing an increasingly important role. We understand that this complex issue can be a considerable burden and therefore provide support to our employees in cooperation with professional partners. These eldercare advice and arrangement services ease the burden on our employees when it comes to organising, funding and carrying out their caregiving responsibilities. These services are free of charge for DekaBank employees and help reduce rates of absenteeism and prevent staff from becoming preoccupied with these problems while at work.

Remuneration

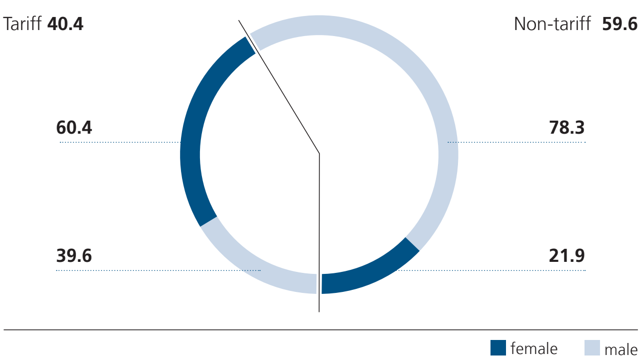
DekaBank considers a remuneration system that incentivises and motivates employees to perform to be an essential prerequisite for sustainability. We ensure this by aligning our remuneration with the market and offering performance-related bonuses that in principle are appropriately proportional to the fixed salaries.

The structure of the performance-oriented remuneration system was last adjusted in 2011 in accordance with the updated Remuneration Ordinance for Institutions and is aligned with our sustainable corporate strategy. It is designed to ensure that there are no incentives for excessive risk-taking. For employees whose activities have a material influence on DekaBank's overall risk profile, the variable portion of the remuneration is based on a multi-year assessment threshold. With this approach, we therefore not only fulfil the regulatory requirements, but also maintain the value of the company and guarantee its long-term success.

Approximately 59.6% of the employees are paid on an individual, non-tariff contract basis. In such cases, the remuneration is based solely on the employee's function and performance. In Germany, the proportion of Group employees covered by collective bargaining or tariff agreements is about 40.4%.

Breakdown of remuneration 2012[1] *(Fig. 4)*

%



[1] As of 31 December.

DekaBank employees have the option of depositing bonus payments, holiday leave and arranged overtime in working hours accounts that can be used for taking early retirement or temporary leave of absences in the form of a sabbatical. In addition to the benefits provided by the employer under collective bargaining agreements, DekaBank grants additional benefits to its employees, including capital-forming payments, group accident and corporate travel insurance, a "job ticket" travel card for employees at the Frankfurt/Main location, and similar arrangements at other DekaBank Group sites. Permanent employees also receive an employer-funded company pension. Part-time employees receive these benefits in accordance with their part-time ratio. Details on pension obligations can be found on pages 155 to 157 in the consolidated financial statements.

Personnel development and further training

The personal and professional further development of our employees is important to us and we promote it via a binding and transparent process. Besides agreeing on targets and defining support measures, this includes drawing up individual development plans. The annual performance review process starts with the first phase, which focuses on setting targets, and ends with phase 3, which assesses the attainment of targets and covers the performance evaluation.

Through the "DekaBank Colleg", we offer a wide range of further training measures and support employee participation in training courses run by external providers in order to maintain and enhance the skills and performance of our employees.

DekaBank Colleg gives our employees the opportunity to develop their professional, personal and social skills. In addition to seminars on project management, IT training and language courses, the offering also includes training courses to develop management skills and expertise. The development needs are met on a targeted basis through individual coaching, group training sessions and cross-team training. New employees are invited to attend orientation events that not only provide professional training, but also help strengthen their loyalty to the company.

The average financial expenses for continuing professional development and further training in Germany amounted to €1,133 per active employee in the reporting year. This figure does not include expenses for further training that took place as part of projects. At 3.3% in 2012, the staff turnover rate is at its lowest level since 2004.

Appropriate support for interns also forms part of our personnel development strategy. We therefore participate in the Fair Company initiative run by the Handelsblatt publishing group. In line with this initiative, we commit to advocating an ethical approach in the world of work and giving graduates a fair chance of permanent employment and interesting tasks during their internship.

Healthcare and health management

The health of our employees is important to us and is also a strategic competitive factor, as health is a basic requirement for the personal performance of our employees over the long term and thus the sustainable success of the company. We have therefore implemented a modern health management system, which is firmly anchored in the processes of the Bank. The central pillars of our health management system are movement, nutrition, medicine/prevention and mental health.

We provide our employees with a wide range of tailored options in each of these areas. Preventative medical checkups for executive staff, flu vaccinations, workplace inspections to evaluate ergonomic aspects and information events on health issues are established components of our health management system.

The new issue of the Health Report, produced for the first time in financial year 2011, documents the status of our comprehensive health management system, which goes far beyond individual measures and provides employees with information on the range of offerings. We also plan to produce a Health Report next year.

Dealing with mental stress

Mental health is an issue that has become increasingly important in the world of work over the past few years. To raise awareness of this topic among managers and help them deal with employees suffering from mental stress, DekaBank has been running corresponding events in cooperation with the INSITE-Interventions company since 2012. The moderated workshops enable participants to share their experiences of dealing with employees suffering from mental stress or stress-related illnesses, such as burnout, addiction, depression or eating disorders.

Through the Employee Assistance Programme, we offer our employees an effective tool to prevent mental stress and illnesses. The service is offered to all employees based in Germany or abroad as well as any family members in their household. In difficult situations, both professional and personal, they can talk to doctors, psychologists and other consultants from an independent advisory service – free of charge and either by phone or in person. The strict confidentiality of the consultations, which can be handled on an anonymous basis upon request, is guaranteed, as is the accessibility of the service on 365 days a year.

Company integration management helps prevent lengthy illness-related absences and is another tool that reduces prolonged staff absences. With this approach, we provide support for the employees concerned that goes beyond the statutory requirements, in order to help them regain their ability to work. The average illness rate for employees at DekaBank Group locations in Germany remained constant at 3.7% during the reporting period.

Auditing

DekaBank's family-friendly personnel policy is regularly certified by "audit berufundfamilie". Based on a successful re-audit in 2011, we were once again awarded the quality seal of the initiative, which is under the patronage of the German Minister of Family Affairs and the German Minister of Economics, in spring 2012.

DekaBank's forward-looking company health management system has already won various plaudits. In 2012, DekaBank was awarded the *Exzellenz* seal in the Corporate Health Awards. The initiators of the Corporate Health Awards – Handelsblatt, TÜV Süd and EuPD Research – certify companies that demonstrably show above-average commitment to the health of their employees.

Sustainable banking products

Sustainable development reduces risks for the environment and society. At the same time, it opens up opportunities for growth and added value – and thus provides a double benefit. To meet the growing ethical, social and ecological requirements of many savings bank customers, DekaBank works together with the *Institut für Markt-Umwelt-Gesellschaft* (imug, the institute for market, environment and society) when selecting securities for the products in the Deka-Nachhaltigkeit (Deka Sustainability) fund family. However, in addition to products explicitly labelled as sustainable, our asset management team uses ethical, ecological and social standards as a key benchmark, alongside yield, risk and liquidity. Accordingly, we have already been following the United Nations principles for sustainable and responsible investment for some time. By signing the corresponding treaty in the reporting year, we have now also made a public commitment to this approach.

Institutional investors that sign up to the United Nations Principles for Responsible Investment (UN-PRI) undertake to increasingly incorporate environmental, social and corporate governance issues into their analysis and decision-making processes. The around 1,100 signatories to the Principles worldwide have also promised to actively represent these issues in their shareholder policy, for example through voting decisions at annual general meetings. In addition, appropriate disclosure regarding these issues is sought from the companies and corporations in which investments are made. Further information and the exact wording of the Principles are available online at http://www.unpri.org/.

Sales support

With their uniquely dense network of around 15,500 branches throughout Germany, the 423 savings banks in the *Sparkassen-Finanzgruppe* are the ideal sales partner for Deka investment funds. Savings bank customers throughout the country can achieve their individual investment targets using DekaBank products. Due to their risk-diversification effect, mutual securities and property funds play a major role in the accumulation of financial assets by private households that are so important for the national economy. That is why we are involved in projects run by the *Sparkassen-Finanzgruppe*, which are aimed at positioning the securities business on a forward-looking basis.

In addition to attractive products, the quality of advice available to customers locally is of key importance. To ensure that the products, some of which are complex, are explained in line with the customers' requirements, we support the customer advisers at the savings banks, not only with extensive product information, but also with training and suggestions for sales and marketing. Furthermore, to assist the savings banks during customer events on the topic of sustainability and sustainable investments, we provide them with speakers as well as extensive informational material on our expanded range of sustainable fund products. We further develop this cooperation as part of our ongoing dialogue with the savings banks, which is of course based on compliance with both legal and supervisory requirements. The cooperation was further intensified in the reporting year and has proven fruitful for all parties concerned: Savings bank customers receive information on the options for making responsible financial investments, while our experts learn more about the needs of the market at these events.

Asset management in securities

All of the fund products managed by DekaBank, including fund-linked asset management, incorporate environmental, social and corporate governance criteria in their investment decisions. We see sustainable actions and development as safeguarding the future, and thus as features of an attractive investment. We firmly believe that share prices and bond yields are just as strongly influenced by environmental and social issues as they are by business aspects.

In light of this, DekaBank rules out investments in companies that manufacture or sell anti-personnel mines or cluster munitions, and this not only applies to the funds in the Nachhaltigkeit sustainable funds family. In the reporting year, we made a policy decision that DekaBank will no longer manage any products that track the movement in the prices of food staples. Although the latest scientific studies do not show any demonstrable causal link between such option contracts and price increases in the real markets for food staples, the opposite has so far not been proven either. We therefore decided to refrain from such investments as a precautionary measure.

To further advance the idea of sustainable financial investments and ensure greater impact on the public perception, DekaBank is also involved in the relevant industry associations and organisations. For example, we are a member of the Forum for Sustainable Financial Investments (*Forum Nachhaltige Geldanlagen*, FNG), and since 2012, our sustainability funds have also been included in the fund profiles on the FNG website (http://www.forum-ng.org/de/fng-nachhaltigkeitsprofil/fng-nachhaltigkeitsprofile.html).

In addition, Deka Investment is active in the *Bundesverband Investment und Asset Management* (BVI) and has helped develop the joint guidelines for responsible investments. This is a voluntary pledge, whereby the fund companies organised in the BVI accept their social responsibility and undertake to support the further development of national and international codes on responsible investments and transparency.

More and more investors are actively interested in what happens with their invested capital, especially in view of the growing criticism of ethically dubious banking products. In order to satisfy the resultant growing demand for investment solutions that meet particularly stringent sustainability criteria, DekaBank has substantially expanded its Deka-Nachhaltigkeit fund family. To select the securities, we work with renowned partners in the segment of ethical investments: the *Institut für Markt-Umwelt-Gesellschaft* (imug), which in turn cooperates with the Ethical Investment Research Services (EIRIS).

With the Deka-Nachhaltigkeit (equities/bonds/balance) investment funds, investors can invest specifically in companies that operate sustainably in terms of economic, environmental and social criteria. This offering, which has met with pleasing demand in the market, rounds out our product range in the area of sustainability, which also includes the Deka-Stiftungen Balance mixed fund. In total, we manage assets of approximately €2bn in sustainability funds. Of this figure, €1.2bn is attributable to mutual funds and the rest to mandates for institutional investors.

However, we do not limit the strict implementation of our understanding and concept of sustainability to our investment funds. Consequently, as on other issues, we express our viewpoint on sustainability aspects through our voting rights as well.

DekaBank's comprehensive approach to sustainability meets high standards. This was also confirmed in the reporting year by the corporate rating from oekom, which is one of the world's leading institutions in the sustainable investment segment. Once again, we achieved an overall score of "C", which corresponds to "prime" status. oekom therefore recommends DekaBank's bonds and products to investors who take social and environmental aspects into account in their financial investments. The rating analysts examine a total of around 80 sustainability criteria in the social rating and environmental rating categories. With regard to the social rating, which looks at features such as equal opportunities and business ethics in respect of employees and suppliers, we improved on our previous year's rating by a notch, from "C" to "C+".

Asset management in real estate

Asset management in the real estate segment pays particular attention to environmental aspects when making new acquisitions and modernising existing properties, and not just for sustainability products. After all, energy-efficient and eco-friendly buildings not only benefit the environment and the tenants, but also our investors, in the form of attractive long-term yields.

All buildings held in our fund portfolios now have a building profile, which also includes all the environmentally relevant building data. In addition to this, energy passports are being developed in many European countries for the purpose of documenting consumption figures for properties.

Furthermore, we strive to have our properties certified by the Green Building Certification Institute (GBCI) and other recognised providers such as the *Deutsche Gesellschaft für Nachhaltiges Bauen* (German Sustainable Building Council, DGNB). Buildings that carry this seal are energy-efficient and therefore eco-friendly and are designed, built and operated in conformity with health standards. The audit covers water efficiency, the materials used and the air quality in the building. This not only ensures that the desired ecological and social effects are achieved, but also reduces lifecycle costs, which benefits the owners in terms of the return.

Many of the properties we have recently acquired are already certified as "green buildings", and this is also a prerequisite of our major international tenants in particular. In the reporting year, we increased our portfolio of green buildings with the acquisition of the "City Green Court" office property in Prague. The building, which is still under construction, was the first building in the Czech Republic to be pre-certified with the "Leadership in Energy and Environmental Design" (LEED) platinum award from the GBCI. In Germany, we added to our portfolio with the Campus logistics centre in Böblingen. We are aiming to obtain DGNB silver certification for the building, which has a photovoltaic unit installed on the roof.

In total, 50 of our properties in the mutual funds are either certified as green buildings or certified in accordance with other internationally accepted sustainability standards. This corresponds to assets of €4.9bn, which are distributed across all of our mutual funds. Certification is planned in the near future for a further 82 properties with a volume of €5.7bn. This already equates to more than 20% of all our properties, and we aim to increase this ratio to over 40% by 2015.

Studies are also being conducted to determine how ecology and economy can be even better integrated. A good example of this is the letting of large flat roofs on our logistics properties. The energy generated by the photovoltaic units installed there was fed into the grid in the reporting year, delivering both green electricity and additional income for our customers.

Asset management-related lending business

In our lending business, as part of our sustainability strategy we support projects that promote the economic cycles in the respective regions. One example here is our involvement in the Nordsee-Windpark Global Tech I project. Here, for the first time, DekaBank is a co-financier of an offshore facility together with the European Investment Bank and 15 other commercial lenders. Global Tech 1 will comprise 80 wind turbines, which will generate enough power to supply around 445,000 households.

In contrast, transactions that do not meet our sustainability criteria are undesirable, not least because they also pose a higher business risk. In accordance with our sustainability standards, especially the compliance regulations, as well as the Equator Principles, which govern the evaluation of project finance, we conduct a critical assessment of the following business areas:

- financing of suppliers, manufacturers and trading companies connected to arms transactions in countries outside NATO,
- financing which gives rise per se to significant risks for the environment (based on OECD environmental guidelines),
- lending transactions where public reporting (including as a result of socio-cultural aspects) about the financing itself, about a business partner or business practice could adversely affect public trust in our Bank in the long term.

Naturally, we reflect the geopolitical context in our investments. A negative list has been in place since mid-2012 for countries where human rights abuses or corruption are commonplace. The principles of our sustainability strategy and our standards in compliance and risk management also exclude exploiting opportunities in these countries, such as higher returns for example.

Social responsibility

Social responsibility is a cornerstone of DekaBank's sustainability strategy. As a partner of the savings banks, we participate in the national support programmes of the *Sparkassen-Finanzgruppe* and are also involved in our own projects and long-term partnerships. We enter into cooperations with renowned cultural institutions and focus our activities here on art, architecture, academic institutions and social projects. In association with other institutions in the *Sparkassen-Finanzgruppe*, DekaBank also supports national projects in the fields of culture and sports. All of our partnerships are based on continuity, since this is essential for a close working relationship founded on trust.

Traditionally, the *Sparkassen-Finanzgruppe* is involved in all areas of community life. The savings banks, their affiliated companies and foundations make an active contribution to improving the quality of life at the regional and national level in a wide variety of ways. One key focus of the *Sparkassen-Finanzgruppe*'s social commitment is the promotion of art and culture. The *Staatliche Kunstsammlungen Dresden* museum preserves a unique cultural heritage, and a cooperation with the museum has been in place since 2006. In 2011, with support once more from DekaBank, the *Sparkassen-Finanzgruppe* was again the main sponsor in Dresden and for the first time also provided funds for the *Staatliche Museen zu Berlin* (National Museum), which is held in high regard both nationally and internationally. Here, in addition to youth education projects, the *Sparkassen-Finanzgruppe* is co-financing outstanding exhibitions, such as "Divided Heaven. 1945-1968" at the New National Gallery and "In the Light of Amarna – 100 Years of the Nefertiti Discovery" at the New Museum. Another highlight in 2012 was supporting dOCUMENTA (13), the most internationally important exhibition of contemporary art, which is held in Kassel, Germany. The exhibition, which takes place every five years, has been supported by Kasseler Sparkasse since 1955. The *Sparkassen-Finanzgruppe* became its main sponsor in 1997 and was joined again by DekaBank in 2012.

Furthermore, with support from DekaBank, the *Sparkassen-Finanzgruppe* has been a partner of the German Olympic Sports (*Deutscher Olympischer Sportbund*) since 2008. As a national sponsor, the *Sparkassen-Finanzgruppe* supported Germany's top athletes at the 2012 Olympic Games in London and we were delighted to see the Olympic team win a total of 44 medals.

Art and architecture: Focus on sustainability in highrise projects

The International Highrise Award (IHA) has been bestowed every two years by the City of Frankfurt/Main since 2004. The award is initiated, curated and organised by the *Deutsches Architekturmuseum* (German Museum of Architecture) in partnership with DekaBank, which provides most of the financing for the IHA. The cooperation was extended by a further four years in 2012. The award, which meanwhile enjoys international reputation, recognises buildings that are a minimum of 100 metres in height and combine exceptional aesthetics, forward-looking design and integration in the urban landscape with innovative technology, efficiency and sustainability. The IHA, which awards a prize of €50,000 and a statuette by acclaimed artist Thomas Demand, is judged by an international jury of architects, engineers, real estate specialists and architecture critics. At the award ceremony in Frankfurt's *Paulskirche* church on 15 November 2012, the prize went to architects Christoph Ingenhoven (ingenhoven architects, Düsseldorf) and Ray Brown (Architectus, Sydney) along with property developer DEXUS for the world's most innovative skyscraper of the past two years, the office building "1 Bligh Street" in Sydney.

The partnership between DekaBank and the *MMK Museum für Moderne Kunst* (Museum of Modern Art) in Frankfurt/Main celebrated its ten year anniversary in 2012. The "Parallels" exhibition featuring works by famous photo artists from the museum's collection, which was held on the 44th floor of the Trianon tower in Frankfurt at the start of the year, not only attracted a significant amount of interest from within and outside the Bank, but also impressively documented the great relationship between the two institutions.

Sustainable banking and finance

In our support for academic institutions, we concentrate on subjects that are closely related to our area of business. For example, DekaBank has been supporting the Centre for Financial Studies at the House of Finance at the Goethe University for several years on behalf of the *Sparkassen-Finanzgruppe*. Our involvement was extended in 2012 with the endowment of the DekaBank chair in Sustainable Banking and Finance with a focus on Sustainable Corporate Governance. We are delighted that with the appointment of Professor Reint Gropp, Ph.D. on 15 August 2012, the chair is held by a research-based financial economist of international renown.

As a member of the *Sparkassen-Finanzgruppe*, imparting knowledge on the subject of sustainable investments is also very important to us. Consequently, in 2012 DekaBank decided to take on the role of mentor for a course module on sustainability at the *Sparkassen-Finanzgruppe*'s Management Academy. The events are set to start in academic year 2013.

Social commitment: Regional – national – international

At DekaBank, social commitment begins in the immediate environment of its headquarters in Frankfurt/Main. We are therefore continuing our important support for the two centres run by the charitable Christian organisation *Kinder- und Jugendhilfswerks Arche e.V.* for disadvantaged children from socially deprived areas.

Since 2007, we have fostered and supported the social commitment of our employees through the annual "*DekaBank – Engagiert vor Ort*" (DekaBank – Making a Local Commitment) campaign. In the pre-Christmas season, colleagues can apply for a donation of €1,000 each for "their" project. The amount available for the campaign once again totalled €25,000 in 2012.

DekaBank is also a reliable partner of the annual German Golf Charity Cup to benefit the non-profit organisations *Deutsche Krebshilfe e.V./Deutsche KinderKrebshilfe e.V.* (German Cancer Aid/German Children's Cancer Aid), for which we are a general sponsor. Around 150 golf clubs in Germany take part in this event, which is Europe's biggest charity golf tournament. The proceeds, which are in the six-digit range, are topped up by a further generous donation from DekaBank to support *Deutsche KinderKrebshilfe e.V.*

Our social commitment also extends to international activities through our long-standing partnership with the Don Bosco mission. In 2012, we sponsored the construction of a vocational training centre in Kep, Cambodia, as well as a street kids project in Freetown, Sierra Leone.

DekaBank became the second company in Frankfurt/Main to receive the "Helping Hand" award from the German Red Cross Blood Donor Service in Baden-Württemberg-Hessen for its involvement in the blood donation campaign. For many years, we have been supporting the German Red Cross with regular blood donation sessions at various locations, and between 1998 and the end of 2012, these have seen donors give a total of around 2,000 litres of blood.

Communications

The dialogue with our stakeholders is the foundation of our sustainability strategy, which we view as an ongoing learning process. The regular exchange of ideas and information on the ethical, social and ecological aspects of our activities is the most effective tool we have for reviewing whether we are achieving the sustainability goals we have set and whether those objectives need to be revised. That is why DekaBank attaches great importance to open communications with various social groups and institutions.

As a member of the *Sparkassen-Finanzgruppe*, the dialogue with our owners is a top priority for us, and we actively involve the expertise of the savings banks in our decision-making process. This is done both via specialist advisory committees that advise the Board of Management as well as various sales committees. In addition, there is intensive dialogue on all issues regarding sustainability via joint projects and workshops. With this approach, we can ensure that the activities of the savings banks and DekaBank are aligned with and complement each other.

There is also an active exchange with other social groups on all matters of sustainability. In conjunction with in-depth market monitoring, we can therefore involve the relevant stakeholders on a targeted basis at an early stage and incorporate their suggestions in strategic and business policy decisions.

The main stakeholders in this dialogue are:

- savings bank customers and institutional investors,
- employees and employee representatives,
- supervisory authorities,
- suppliers,
- associations and organisations,
- academic institutions,
- rating agencies and analysts,
- non-governmental organisations (NGOs).

Details on our dialogue with the various stakeholder groups are documented online at www.dekabank.de.

Dialogue with savings bank customers and institutional investors

To continually refine and adjust our sustainability strategy, we have to understand the needs and requirements of both private and institutional investors. We therefore conduct regular detailed customer surveys and maintain very close contact with the customer advisers and other managers in the savings banks. The results of this interaction form the discussion basis for measures to optimise DekaBank's performance and its sustainable strategy. The insights into investor trends provide us with important inspiration and ideas for designing our products, such as the sustainability fund.

Investors and analysts receive comprehensive and timely information on our business strategy and development as a matter of course. This is done both directly as well as via rating agencies. We provide information on the implementation of our sustainability strategy in the Sustainability report that is part of our Annual Report, as well as in the sustainability section of our website, which is updated on a regular basis.

Dialogue with employees and employee representatives

We also conduct regular staff surveys. Together with an independent adviser, we review thoughts and attitudes on subjects such as corporate culture, employee satisfaction and management. The relationship between the company's management and the various employee representatives in the DekaBank Group is characterised by respect, mutual trust and open dialogue.

We view the ideas of our employees as a success factor for our company. We want our staff to be involved and are therefore happy to reward suggestions for improvements. And we do just that via DekaBank's established and multi award-winning idea management system, through which numerous proposals and suggestions have already been accepted and implemented. With an implementation rate of around 30% for ideas suggested by employees and customers, DekaBank leads the field in its sector.

Our employees are represented by staff committees and works councils (Germany) and the Comité Mixte (Luxembourg). Furthermore, the Disability Officer and Equal Opportunity Officers serve as internal contact persons in the event of problems at the workplace.

DekaBank believes that openness and transparency are essential to successfully implementing change processes with the support of all those concerned. The DekaBank Group therefore ensures that employee bodies are involved in its day-to-day HR activities as promptly as possible. All of the relevant information is passed on to employees as quickly as possible through publication on internal company media or by e-mail.

Dialogue with supervisory authorities

As part of its business operations, DekaBank is in regular contact with the relevant supervisory authorities. We also actively assist with the further development of relevant topics related to supervisory law and act as a point of contact for the authorities.

Dialogue with suppliers

We strive to have long-term relationships with suppliers and service providers who meet the same sustainability criteria that we do. Binding guidelines for sustainable procurement on both sides therefore form the basis for our business relationships. In addition, we maintain an ongoing dialogue with our contractors on all issues related to sustainability. Through constructive cooperation with specialist departments and suppliers, DekaBank's Procurement Management ensures quality and success in the procurement process, right from the outset.

Dialogue with associations and organisations

The DekaBank Group is an active member of various associations and organisations and is driving forward the debate in these bodies on conserving resources and structuring business processes in a socially responsible manner. We are therefore helping to create a wide forum for dealing with issues relating to sustainability. Furthermore, we exchange information and ideas with other members on relevant topics. Through our membership in these organisations, we make our internal expertise available to politicians and policymakers exclusively in the interests of our shareholders. The following institutions should especially be mentioned in this regard:

- *Bundesverband Investment und Asset Management (BVI) e. V.,*
- *Bundesverband Öffentlicher Banken Deutschlands e. V.* (Association of German Public Banks – VÖB),
- *DAI Deutsches Aktieninstitut e. V.* (German Equities Institute),
- Deutscher Sparkassen- und Giroverband e.V. (German Savings Banks and Giro Association – DSGV),
- EFAMA – European Fund and Asset Management Association,
- Equator Principles,
- European Association of Public Banks,
- *Forum Nachhaltige Geldanlagen* (Forum for Sustainable Financial Investments),
- *Institut der deutschen Wirtschaft* (German Institute for Economic Research),

- *Umweltforum Rhein-Main e. V.* (Rhine-Main Environmental Forum),
- UN Global Compact,
- UN PRI (Principles for Responsible Investment),
- V*erein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V.* (Association for Environmental Management and Sustainability in Financial Institutions),
- CRIC Corporate Responsibility Interface Center e.V.,
- CDP Carbon Disclosure Project,
- WDP Water Disclosure Project.

Dialogue with academic institutions

Regular exchange of ideas and information with academic institutions is of great strategic importance for DekaBank as this enables us to include the latest theoretical findings in our day-to-day operations. We see financial support for universities as an opportunity to further promote this dialogue and drive forward research. One example here is the endowed chair for Sustainable Banking at the House of Finance at the Goethe University in Frankfurt/Main, the first of its kind. DekaBank is also an active member of various non-profit associations and institutions with economic, social and social science backgrounds that deal with issues relating to sustainability.

Valuation by rating agencies

Comparability is also a key criterion for investors when it comes to sustainability. Due to the range of different standards used in sustainability reporting, comparability is a major challenge for investors who put a priority on ethical, ecological and social aspects. Specialised rating agencies provide comparable data. Consequently, they are very important for these investors and are also a key point of reference for the further development of DekaBank's sustainability strategy.

Our focus centres on three rating agencies, both for internal purposes and in communications with our stakeholders.

imug

The imug *Beratungsgesellschaft für sozial-ökologische Innovationen mbH* consulting firm (imug for short) primarily concentrates on public sector and mortgage *Pfandbriefe* as well as institutions that provide real estate finance. DekaBank's latest imug rating is "positive" in all three categories (public sector *Pfandbriefe*, mortgage *Pfandbriefe* and unsecured bonds). Only the activities of two DekaBank subsidiaries were rated as "controversial" by imug, and we are discussing this with the rating agencies and the subsidiaries concerned.

oekom

The oekom rating agency is one of the oldest and most respected institutions in the sustainable financial investments segment. It confirmed the "prime" status of DekaBank's corporate rating in spring 2012. In the "social ranking" category, DekaBank was upgraded from "C" to "C+". oekom thus ranks DekaBank as one of the leading companies in the industry with regard to the issue of sustainability and recommends us to investors who take social and ecological aspects into consideration when investing.

sustainalytics

Dutch rating agency sustainalytics uses a ranking system. At present, with 66 points, we rank 13th out of 72 rated companies.

GRI Guidelines

The Sustainability report was prepared on the basis of the Guidelines of the Global Reporting Initiative (GRI), including the Financial Services Sector Supplement. The GRI was set up in 1997 with the aim of developing and disseminating an internationally recognised guideline for voluntary reporting of the economic, ecological and social performance of organisations and companies. The companies themselves decide which aspects they take into account and consequently the degree of transparency they provide.

It is our assessment that, as in reporting year 2011, this report complies with GRI Application Level A.

GRI Application Level *(Fig. 5)*

		C	C+	B	B+	A	A+
Mandatory	Self-declared		Report externally assured		Report externally assured	✓	Report externally assured
Optional	Third party checked						
	GRI checked						

The GRI Content Index, which we have published at www.dekabank.de, provides an overview of all of the GRI indicators reported with a cross-reference to the corresponding DekaBank publications in which the respective information can be found. This GRI report also includes the yearly progress report regarding the principles in the UN Global Compact.

Contact points for questions regarding corporate sustainability reporting

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Basell

We offer tailored solutions …

Hedging instruments are essential for effective corporate banking. "It therefore goes without saying that we would rise to the challenge of meeting the new regulatory requirements for OTC derivative transactions," says Thorsten Hildebrand, Treasury Director at Kreissparkasse Köln.


Basel III

… for changing requirements

The savings banks take their duty to comply with new regulatory requirements at an early stage and to utilise the advantage of the alliance to make a valuable contribution to the stability of the financial system very seriously. Occasionally however, the decentralised structure of the *Sparkassen-Finanzgruppe* has presented a particular challenge, as in the case of international regulations which are geared towards large banks, for example. DekaBank's expansion to become the central fully-fledged securities service provider for savings banks now offers the *Sparkassen-Finanzgruppe* the chance to enhance their performance even further. DekaBank is therefore continuing to further develop its business model and enlarge the range of products and services for its owners, in order to offer the right solutions for a changing environment.

The world of regulation has grown more complex – for good reason. As a result of the financial market crisis, the efforts of the supervisory authorities are aimed at reducing the systemic risk in the banking sector. The Basel III reform package, for example, contains new, tighter rules, such as those regulating OTC derivatives trading. To prevent individual banks from being able to take on disproportionately high risks in the first place, the regulation will require banks to clear OTC derivatives transactions via a clearing house. This requirement is implemented by the EMIR (European Market Infrastructure Regulation) European Derivatives Directive and is expected to take effect starting in the third quarter of 2013. In its function as a central counterparty, the clearing house ensures greater market transparency and reduces the risk of a chain reaction in the banking sector, such as the one that followed the bankruptcy of the US American investment bank Lehman Brothers.

However, what may be practical and desirable in terms of financial stability, can have adverse effects for the economy as a whole. This is because OTC traded derivatives are an indispensable hedging instrument for many small and medium-sized companies, and thus part of the day-to-day corporate banking business of a large number of savings banks. "Many companies use derivatives to protect themselves from currency risks or interest rate risks," explains Thorsten Hildebrand, Treasury Director at Kreissparkasse Köln. "Refraining from using them would jeopardise a large

When the savings bank was looking to find a solution for the required connection to a clearing house, DekaBank was the ideal partner for Kreissparkasse Köln. "Through our close cooperation with the savings banks, we were able to precisely tailor our offering to their requirements," explains Michaela Hönig, Vice President at DekaBank.

number of financing projects or make them considerably more expensive, and have a corresponding negative impact on the ability of many SMEs to invest in future growth."

Yet neither the number or volume of derivatives transactions, nor the capital resources of the individual savings banks are sufficient to obtain membership of a clearing house. The London Clearing House (LCH), for instance, requires derivatives transactions with a minimum nominal volume of USD 1tn and equity of USD 5bn. "Kreissparkasse Köln is the third largest savings bank in Germany, but even we don't reach these numbers," says Hildebrand. However, DekaBank, one of the leading asset managers in the German market, does fulfil the criteria. Michaela Hönig, OTC Derivatives Project Manager, set the wheels in motion for LCH membership at an early stage: "DekaBank has been a direct member since August 2012 and already clears over 80% of its transactions through the LCH. The savings banks have been able to clear their transactions via the clearing house since February 2013. We are therefore six months ahead of the statutory deadline."

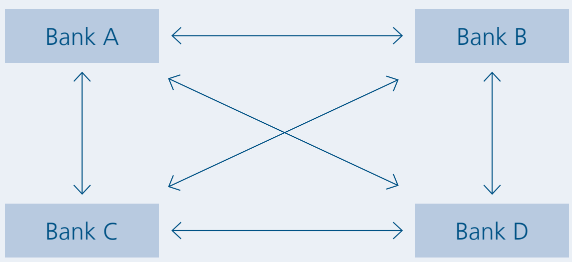
Prerequisite for efficient securities business

For Kreissparkasse Köln, it was clear from the outset that they would have to find a strong partner to connect to the clearing house, and one that would bring in the necessary expertise. They found that partner in DekaBank. The decision to take the partnership forward was made early on, back in February 2012, when the outlines of the new directive were only gradually taking shape. By this point, Hönig's project team, which comprises over 30 experts from IT, trading, back office and collateral management, had already gathered extensive practical experience, which the savings banks were able to benefit from.

Bringing stability to the system

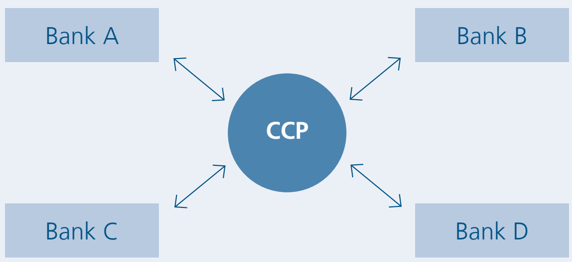
The European Market Infrastructure Regulation (EMIR) requires the involvement of a central counterparty in over the counter trading (OTC) in future as well. This is intended to make the derivatives market more transparent and reduce the systemic risk for participating banks.

Before: Conclusion of bilateral OTC transactions



Opaque market as a result of bilateral contractual relationships.

After: Regulated OTC transactions



Clearing via a central counterparty (CCP) creates market transparency and reduces counterparty risk.

"We provide reliable support to the savings banks with regard to compliance with regulatory requirements."

Michaela Hönig,
Vice President at DekaBank

"Kreissparkasse Köln was our first customer – and it was a big decision at the right time for us as well," reports Hönig. Due to the huge amount of effort involved in development, the aim of the project was to create synergies within the *Finanzgruppe* and enable the savings banks to share in DekaBank's knowledge and expertise as early as possible.

With direct membership of the LCH, DekaBank, in its clearing broker function, quickly overcame the first hurdle to being able to offer this important access to partners within the *Sparkassen-Finanzgruppe* as well. In close cooperation with representatives from the savings banks and their associations, IT experts from the *Finanzgruppe* and several *Landesbanken*, Hönig's project team put together a package that makes the savings banks fit for the new regulatory environment. At the same time, it also lays the foundation for continuing to clear securities transactions efficiently under increasingly complex regulatory requirements in the future.

Convincing service quality

The response to the new offering is very promising. More than half of the approximately 280 savings banks that trade derivatives over the counter already have opted to use DekaBank as their clearing connection. Their preconditions vary depending on the nature and size of their derivatives business. In order to connect them in line with their requirements, DekaBank has set up an onboarding team whose members come from an array of different disciplines and departments. They respond to all the queries that arise during the switchover to the new process either by telephone or e-mail or in face-to-face meetings. "Sometimes the team has to explain technical details, other times it's about the current status of the regulations," says Hönig.

But some questions related to the process also require explanation, such as the loss compensation through what is known as variation margin. Based on the current market situation, the clearing house calculates, on a daily basis, how the risk of a derivative transaction has developed. If there is a negative move in the risk for one of the counterparties, that counterparty must provide additional funds and the amount is credited to the other counterparty. Like all communication with the clearing house, the settlement is carried out via DekaBank. This eases the burden on the savings banks and offers an additional level of safety, since every order is checked twice.

"In the final analysis, the new process is straightforward," summarises Hildebrand from Kreissparkasse Köln. Very little has changed for the staff members trading OTC derivatives with another institution on the telephone or via the Bloomberg terminal. There are just two more steps they have to complete: report the transaction to the trade repository and to DekaBank. DekaBank's sophisticated connection solution does everything else.

Kreissparkasse Köln is impressed with the service quality provided by DekaBank and the cooperation with the Bank in other areas as well has been intensified as a result. At the end of 2012, the fully-fledged securities service provider also took over the clearing link for transactions with standardised derivatives on regulated exchanges such as Eurex. "DekaBank will also be one of our top choices in future whenever we need a partner for our institutional business," says Hildebrand.

Consolidated financial statements 2012

DekaBank's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The central control variable is the economic result, which represents the key segment information and is reported externally. In addition to net income before tax, it includes changes to the revaluation reserve as well as the interest rate and currency related valuation result from original lending and issuance business. The variable therefore takes into account all income components which are relevant for assessing the earnings position.

Consolidated financial statements

Statement of comprehensive income for the period from 1 January to 31 December 2012

€m	Notes	2012	2011	Change	
Interest and similar income		2,731.3	3,060.3	–329.0	–10.8%
Interest expenses		2,397.1	2,786.3	–389.2	–14.0%
Net interest income	[31]	**334.2**	**274.0**	60.2	22.0%
Provisions for loan losses	[15], [32], [43], [44]	**–195.0**	**–117.7**	–77.3	–65.7%
Net interest income after provisions for loan losses		**139.2**	**156.3**	–17.1	–10.9%
Commission income		2,197.1	2,268.6	–71.5	–3.2%
Commission expenses		1,251.3	1,292.1	–40.8	–3.2%
Net commission income	[33]	**945.8**	**976.5**	–30.7	–3.1%
Trading profit or loss	[34]	**367.3**	**439.2**	–71.9	–16.4%
Profit or loss on financial instruments designated at fair value	[35]	**–61.7**	**–212.0**	150.3	70.9%
Profit or loss from fair value hedges in accordance with IAS 39	[36]	**11.5**	**–1.4**	12.9	(> 300%)
Profit or loss on financial investments	[37]	**5.2**	**–66.6**	71.8	107.8%
Administrative expenses	[38]	**906.5**	**917.6**	–11.1	–1.2%
Other operating income	[39]	**–57.9**	**2.2**	–60.1	(< –300%)
Net income before tax		**442.9**	**376.6**	66.3	17.6%
Income taxes	[40]	**106.1**	**58.1**	48.0	82.6%
Interest expenses for atypical silent capital contributions		**52.2**	**57.8**	–5.6	–9.7%
Net income		**284.6**	**260.7**	23.9	9.2%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		284.6	260.7	23.9	9.2%
Profit or loss on available-for-sale financial instruments		**–0.1**	**–1.1**	1.0	90.9%
Net change in revaluation reserve for cash flow hedges		**22.9**	**–11.9**	34.8	292.4%
Change in deferred taxes not recognised in income		**–7.2**	**5.3**	–12.5	–235.8%
Currency translation adjustments		**0.3**	**1.3**	–1.0	–76.9%
Other consolidated income		**15.9**	**–6.4**	22.3	(> 300%)
Net income for the period under IFRS		**300.5**	**254.3**	46.2	18.2%
Of which:					
Attributable to non-controlling interests		0.0	0.0	0.0	n/a
Attributable to the shareholders of DekaBank		300.5	254.3	46.2	18.2%

Balance sheet as at 31 December 2012

€m	Notes	31.12.2012	31.12.2011	Change	
Assets					
Cash reserves	[41]	**3,387.7**	**368.2**	3,019.5	(> 300%)
Due from banks	[14], [42]	**32,335.6**	**39,596.7**	–7,261.1	–18.3%
(net after provisions for loan losses amounting to)	[15], [44]	(367.4)	(377.9)	–10.5	–2.8%
Due from customers	[14], [43]	**30,624.3**	**31,603.0**	–978.7	–3.1%
(net after provisions for loan losses amounting to)	[15], [44]	(339.0)	(303.1)	35.9	11.8%
Financial assets at fair value	[17], [45]	**58,100.6**	**56,540.1**	1,560.5	2.8%
(of which deposited as collateral)	[73]	(11,169.6)	(6,511.8)	–4,657.8	71.5%
Positive market values from derivative hedging instruments	[18], [46]	**431.2**	**428.1**	3.1	0.7%
Financial investments	[19], [47]	**4,225.7**	**4,517.0**	–291.3	–6.4%
(net after provisions for loan losses amounting to)		(11.7)	(83.6)	–71.9	–86.0%
(of which deposited as collateral)	[73]	(734.4)	(949.1)	–214.7	–22.6%
Intangible assets	[20], [48]	**102.2**	**112.1**	–9.9	–8.8%
Property, plant and equipment	[21], [49]	**32.3**	**35.6**	–3.3	–9.3%
Income tax assets	[23], [50]	**223.8**	**258.0**	–34.2	–13.3%
Other assets	[22], [51]	**280.6**	**278.8**	1.8	0.6%
Total assets		**129,744.0**	**133,737.6**	–3,993.6	–3.0%
Liabilities					
Due to banks	[24], [52]	**37,690.5**	**32,870.1**	4,820.4	14.7%
Due to customers	[24], [53]	**23,333.7**	**24,417.1**	–1,083.4	–4.4%
Securitised liabilities	[24], [54]	**27,376.2**	**25,277.6**	2,098.6	8.3%
Financial liabilities at fair value	[17], [55]	**34,956.4**	**44,519.3**	–9,562.9	–21.5%
Negative market values from derivative hedging instruments	[18], [56]	**363.4**	**558.7**	–195.3	–35.0%
Provisions	[15], [25], [26], [44], [57], [58]	**208.6**	**213.4**	–4.8	–2.2%
Income tax liabilities	[23], [59]	**90.0**	**281.9**	–191.9	–68.1%
Other liabilities	[27], [60]	**784.5**	**724.6**	59.9	8.3%
Subordinated capital	[28], [61]	**1,314.8**	**1,482.3**	–167.5	–11.3%
Atypical silent capital contributions	[29], [62]	**52.4**	**52.4**	0.0	0.0%
Equity	[30], [63]	**3,573.5**	**3,340.2**	233.3	7.0%
a) Subscribed capital		191.7	191.7	0.0	0.0%
b) Capital reserves		190.3	190.3	0.0	0.0%
c) Reserves from retained earnings		3,125.6	2,899.4	226.2	7.8%
d) Revaluation reserve	[7], [9], [18], [19], [23]	–6.0	–21.6	15.6	72.2%
e) Currency translation reserve	[11]	13.2	12.9	0.3	2.3%
f) Accumulated profit/loss (consolidated profit)		58.7	67.5	–8.8	–13.0%
g) Minority interests	[6]	0.0	0.0	0.0	n/a
Total liabilities		**129,744.0**	**133,737.6**	–3,993.6	–3.0%

Statement of changes in equity for the period from 1 January to 31 December 2012

	Paid-in equity		Group equity generated	
€m	**Subscribed capital**	**Capital reserves**	**Reserves from retained earnings**	**Consolidated profit/loss**
Holdings as at 31.12.2010	**286.3**	**190.3**	**3,604.7**	**28.6**
Net income for the year				260.7
Currency translation adjustments				
Net change in revaluation reserve for cash flow hedges				
Profit or loss on available-for-sale financial instruments not recognised in income				
Profit or loss on available-for-sale financial instruments recognised in income				
Change in deferred taxes not recognised in income				
Other consolidated income				
Net income for the period under IFRS	**–**	**–**	**–**	**260.7**
Changes in the scope of consolidation and other changes			1.0	
Allocation to reserves from retained earnings			193.2	–193.2
Distribution				–28.6
Purchase of own shares	–94.6		–899.5	
Holdings as at 31.12.2011	**191.7**	**190.3**	**2,899.4**	**67.5**
Net income for the year				284.6
Currency translation adjustments				
Net change in revaluation reserve for cash flow hedges				
Profit or loss on available-for-sale financial instruments not recognised in income				
Profit or loss on available-for-sale financial instruments recognised in income				
Change in deferred taxes not recognised in income				
Other consolidated income				
Net income for the period under IFRS	**–**	**–**	**–**	**284.6**
Changes in the scope of consolidation and other changes			0.3	
Allocation to reserves from retained earnings			225.9	–225.9
Distribution				–67.5
Holdings as at 31.12.2012	**191.7**	**190.3**	**3,125.6**	**58.7**

Other consolidated income				
Revaluation reserve	**Currency translation reserve**	**Total before minority interests**	**Minority interests**	**Equity**
−13.9	**11.6**	**4,107.6**	**0.7**	**4,108.3**
		260.7		**260.7**
	1.3			
−11.9				
−1.1				
0.0				
5.3				
−7.7	1.3	**−6.4**		**−6.4**
−7.7	**1.3**	**254.3**	**–**	**254.3**
		1.0	−0.7	**0.3**
		–		**–**
		−28.6		**−28.6**
		−994.1		**−994.1**
−21.6	**12.9**	**3,340.2**	**–**	**3,340.2**
		284.6		**284.6**
	0.3			
22.9				
−0.1				
−7.2				
15.6	0.3	**15.9**		**15.9**
15.6	**0.3**	**300.5**	**–**	**300.5**
		0.3		**0.3**
		–		**–**
		−67.5		**−67.5**
−6.0	**13.2**	**3,573.5**	**–**	**3,573.5**

Cash flow statement for the period from 1 January to 31 December 2012

€m	31.12.2012	31.12.2011
Net income	**284.6**	**260.7**
Non-cash items in net income and adjustments to reconcile net profit with cash flow from operating activities		
+/– Write-downs and write-ups		
on receivables and financial investments	193.3	202.9
on intangible assets and property, plant and equipment	31.1	62.4
+/– Allocation to/reversal of provisions	42.4	20.6
+/– Profit or loss from fair value hedges in accordance with IAS 39	–11.5	1.4
+/– Other non-cash items	–919.4	120.6
+/– Profit or loss on the disposal of financial investments and property, plant and equipment	–1.9	–0.6
+/– Other adjustments	–913.7	–950.9
= **Sub-total**	**–1,295.1**	**–282.9**
Change to assets and liabilities arising from operating activities		
+/– Due from banks	7,212.4	85.6
+/– Due from customers	740.5	–4,127.6
+/– Financial assets at fair value	–742.2	2,317.5
+/– Financial investments	197.5	1,066.1
+/– Other assets arising from operating activities	116.6	–261.0
+/– Due to banks	4,805.8	3,245.4
+/– Due to customers	–1,100.5	2,561.9
+/– Securitised liabilities	2,144.9	1,139.3
+/– Financial liabilities at fair value	–9,433.2	–5,848.2
+/– Other liabilities arising from operating activities	–265.5	5.9
+ Interest received	3,765.5	3,956.1
+ Dividends received	138.4	146.1
– Interest paid	–2,844.6	–2,862.5
– Income tax payments	–235.1	–241.6
Cash flow from operating activities	**3,205.4**	**900.1**
+ Proceeds from the disposal of		
financial investments classified as held to maturity	85.6	0.0
equity investments	0.4	0.5
shares in investments accounted for using the equity method	1.7	0.0
property, plant and equipment	0.2	0.2
intangible assets	0.3	0.0
– Disbursements for the purchase of		
financial investments classified as held to maturity	0.0	–4.3
equity investments	–3.8	–0.3
property, plant and equipment	–16.1	–66.6
intangible assets	–2.5	–3.7
+ Disbursements for the purchase of shares in affiliated, non-consolidated companies	3.8	0.5
+ Dividends received	0.0	0.5
+/– Changes in scope of consolidation	0.0	–37.1
Cash flow from investing activities	**69.6**	**–110.3**
– Purchase of own shares	0.0	–994.1
– Payments to company owners and minority interests	–35.6	–25.0
– Dividends paid	–67.5	–28.6
– Outflow of funds from subordinated capital	–152.7	4.0
+/– Changes in scope of consolidation	0.3	1.0
Cash flow from financing activities	**–255.5**	**–1,042.7**
= Changes to cash and cash equivalents	3,019.5	–252.9
+ Cash and cash equivalents at the start of the period	368.2	621.1
Cash and cash equivalents at the end of the period	**3,387.7**	**368.2**

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

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

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

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

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

Notes

Accounting principles

The consolidated financial statements of DekaBank Deutsche Girozentrale have been prepared in accordance with the International Financial Reporting Standards (IFRS). The standards published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) at the time the financial statements were prepared and their interpretation by the IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) apply. Account is also taken of the national regulations of the German Commercial Code (HGB) under Section 315a HGB. The management report was prepared in accordance with Section 315 HGB.

The consolidated financial statements, which are reported in euros, comprise the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes. DekaBank has applied the "one statement approach" in accordance with IAS 1.81 and publishes a statement of comprehensive income.

Accounting regulations applied for the first time and to be applied in future

The following revised IFRS were applied for the first time in the 2012 financial year.

Amendments to IFRS 7 "Financial Instruments: Disclosures – Transfer of Financial Assets" were published in October 2010. The new rules include additional disclosure requirements when transferring financial assets, including possible effects arising from any risks remaining with the transferring company. The publication of additional information is also required in the event that a disproportionately large part of transfers take place at the end of the reporting period. The amendment to IFRS 7 was adopted into Community law by the European Union in November 2011 and had to be applied for the first time in the 2012 financial year. There was no material impact on the consolidated financial statements.

Other IFRS amendments requiring mandatory application for the first time in financial year 2012 had no impact, or no material impact, on the consolidated financial statements.

Standards and interpretations published by IASB and IFRIC, which have been adopted into European law by the EU and do not have to be applied until subsequent financial years, were not applied early. Changes relevant to the DekaBank Group are presented below:

IAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income" with rules on the presentation of individual items of other comprehensive income was published in June 2011. The amendments require that the items of other comprehensive income should subsequently be subdivided and presented separately based on whether or not these items can once again be reclassified into the profit and loss account in future. In addition, it was clarified that it will also continue to be permissible to report all components of profit or loss either in one single statement or two separate statements. The amendments apply to reporting periods beginning on or after 1 July 2012. Implementation of the amended rules is not expected to have any significant effects on the consolidated financial statements.

The amendments to IAS 19 "Employee Benefits", published in June 2011, essentially provide that actuarial gains and losses are to be reported in the revaluation reserve as soon as they arise. Neither accrual in line with the corridor approach nor direct reporting in the statement of comprehensive income are permissible in the future. The revaluations recorded in the revaluation reserve are no longer "recycled" in subsequent periods, i.e. no longer recognised in income. The amendments come into force for reporting periods beginning on or after 1 January 2013. The actuarial gains and losses not reported in the balance sheet in financial year 2012 due to the corridor method have an effect on the equity within the scope of applying IAS 19 for the first time due to the inclusion in the revaluation reserve.

Amendments to IAS 32 "Financial Instruments: Recognition – Offsetting Financial Assets and Financial Liabilities" and IFRS 7 "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities" were published in December 2011. The amendment to IAS 32 further substantiated the application of offsetting criteria and clarified the conditions under which a gross settlement system meets the conditions for a net settlement. The amendment to IFRS 7 introduced new explanatory disclosures in this context. These amendments come into effect for financial years beginning on or after 1 January 2014 or on or after 1 January 2013, respectively. The Group is currently evaluating the potential effects that implementing the amendments will have on the consolidated financial statements.

IFRS 10 "Consolidated Financial Statements", published in May 2011, contains regulations on consolidation and replaces the corresponding regulations of IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". The new definition of "control" is the core element of the IFRS 10 and thus the basis for delineating the scope of consolidation. According to IFRS 10, control is deemed to exist when all of the following three criteria are met: The investor has decision-making power over the material activities of the potential subsidiary. In addition, the investor is exposed to variable returns due to its involvement with the subsidiary. Furthermore, the investor must be able to affect the amount of these variable returns. Application of IFRS 10 will be mandatory for EU IFRS users as of 1 January 2014. The Group is currently conducting a detailed examination of the potential effects that implementing these changes will have on the consolidated financial statements.

IFRS 11 “Joint Arrangements”, published in May 2011, replaces IAS 31 “Interests in Joint Ventures” as well as SIC 13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers” and regulates accounting and valuation for two categories of joint arrangement: joint operations and joint ventures. From now on, joint ventures must be included in the consolidated financial statements using the equity method, and the option of proportionate consolidation has been eliminated. On the other hand, a joint operation must directly and proportionately include the assets, liabilities, income and expenses, that are directly attributable to the company involved, in its consolidated financial statements. Application of IFRS 11 will be mandatory for EU IFRS users as of 1 January 2014. Implementation of the amended rules is not expected to have any significant effects on the consolidated financial statements.

The publication of the new IFRS 10 and IFRS 11 standards necessitated changes to IAS 27 “Consolidated and Separate Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”, which were also published in May 2011.

IFRS 12 “Disclosure of Interests in Other Entities”, published in May 2011, comprises obligations to disclose the risks and financial impact arising from involvement in subsidiaries, associated companies, joint arrangements and non-consolidated structured entities (special purpose entities). Application of IFRS 12 will be mandatory for EU IFRS users as of 1 January 2014. The Group is currently conducting a detailed examination of the potential effects that implementing these changes will have on the consolidated financial statements.

IFRS 13 “Fair Value Measurement” was published in May 2011 by the IASB, and defines the term “fair value” for consistent use across all IFRS standards and streamlines the provisions for determining the fair value within these standards. Application of IFRS 13 will be mandatory for EU IFRS users as of 1 January 2013. It is not expected to have any significant effects on the consolidated financial statements.

Furthermore, the following new or revised standards were published by IASB. Although these are relevant for DekaBank, they have not yet been adopted into European law and therefore did not need to be applied:

In May 2012, the IASB published amendments to five existing standards (Annual Improvements Project 2009-2011) as part of its annual improvement project. The changes are expected to apply to financial years commencing on or after 1 January 2013. The effects this will have on the consolidated financial statements are currently being examined.

IFRS 9 “Financial Instruments: Classification and Measurement” was published in November 2009 and contains regulations on the categorisation and recognition of financial instruments. The standard provides two categories for the measurement of financial assets – measurement at amortised cost and measurement at fair value. This standard is still being revised by the IASB. In October 2010, IFRS 9 was extended to include accounting for financial liabilities and derecognition of financial instruments. With the exception of the regulations for liabilities voluntarily measured at fair value, the regulations of IAS 39 were adopted unchanged. The regulations on the impairment of financial assets measured at amortised cost and hedge accounting were not published in the reporting year. IFRS 9 is expected to apply from 1 January 2015.

Segment reporting

1 Explanation to segment reporting

Segment reporting is based on the management approach in accordance with IFRS 8. Segment information is presented in line with internal reporting as submitted to the Chief Operating Decision Maker on a regular basis for decision-making, resource allocation and performance assessment purposes. The DekaBank Group’s management reporting is based on the IFRS reporting standards.

However, as net income before tax is only conditionally suitable for internally managing the business divisions, the economic result was defined as the central management indicator. Due to the requirements of IFRS 8, the economic result is included in external reporting as material segment information.

In addition to net income before tax, the economic result comprises changes in the revaluation reserve as well as the interest rate and currency-related valuation result from original lending business and underwriting business. This essentially refers to financial instruments of the loans and receivables, held to maturity and other liabilities categories, which are measured at amortised cost in the consolidated financial statements and whose valuation result is also included in internal reporting.

Consequently, the existing economic hedges which do not meet the criteria for hedge accounting under IAS 39 are illustrated in full for internal management purposes. The measurement and reporting differences versus the IFRS consolidated financial statements are shown in reconciliation to Group income before tax in the “reconciliation” column.

Effects relevant for management are also taken into account in the economic result. This concerns potential charges that are taken into account in corporate management due to the management function of the economic result, but which cannot be recorded in IFRS reporting at the present time due to lack of sufficient reliability.

Based on the definition of Section 19 (1) of the German Banking Act (KWG), the gross loan volume includes additional risk positions such as, for example, underlying risks from equity derivatives transactions and transactions for the purpose of mapping the guarantees of guarantee funds, as well as the volume of off-balance-sheet counterparty risks.

The following segments correspond to the business division structure of the Group as also used in internal reporting. The segments are defined by the different products and services of the Group:

Asset Management Capital Markets

The segment Asset Management Capital Markets consists of all the Group’s activities concerning capital market-based asset management for private and institutional customers. In addition to funds and structured investment concepts, the product range also includes products from selected international cooperation partners. The Group’s investment funds cover all the major asset classes, sometimes in conjunction with guaranteed, discount and bonus structures. The offering for private retirement pensions encompasses fund-based Riester and Rürup products. The segment also comprises advisory, management and asset management mandates for institutional customers as well as Institutional Sales. The range of services offered by the segment also includes the Master KAG activities, which institutional customers can use to pool their assets under management with one investment company. The Asset Management Capital Markets segment also comprises services for custodial accounts, fund administration as well as central fund management services.

Asset Management Property

All property-related activities of the DekaBank Group are pooled in the Asset Management Property segment. This encompasses property investment products for private and institutional investors. The product range includes open-ended mutual and special property funds, individual property funds, property funds of funds as well as real estate finance and infrastructure finance funds. The segment also includes the purchase and sale of property, management of these assets including all other property-related services (real estate management) as well as product development of Group-wide property-based activities.

Real Estate Lending, in particular, completes the Asset Management services offered with financial solutions for third parties, thus offering professional property investors various exit routes.

Corporates & Markets

The Corporates & Markets segment comprises the capital markets and financing, as well as Treasury. The segment is focused on offering capital market and credit products for refinancing the savings banks and supporting Asset Management. Short-term products are a major focus of the trading activities, as is the structuring of equity and interest rate derivatives for funds and savings banks. The Corporates & Markets segment also encompasses all activities relating to exchange traded funds (ETFs) covering product development, management and market making. The lending business consists of the management and product launch of credit assets, e.g. trade/export finance, public sector and infrastructure financing, which are suitable for Asset Management or meet the needs of institutional customers. In addition, Corporates & Markets includes liquidity positioning and liquidity risk management as well as asset/liability management.

Other

Income and expenses that are not attributable to the other reporting segments are reported under Other. These essentially relate to costs for the Corporate Centre, profit or loss on the investment of capital and reserves at risk-free interest, as well as effects relevant for management purposes.

Non-core business

Business activities that are being discontinued have been pooled in non-core business since 2009. This segment manages securitisation transactions and loans that no longer form part of the core business. The relevant portfolios are reduced while safeguarding assets.

In principle, income and expenses are allocated on a source-specific basis to the relevant segment on the basis of a defined allocation key. Segment expenditure comprises primary expenses as well as those allocated on the basis of cost and service allocations.

In addition to the economic result, assets under management represent another key ratio for the operating segments. Assets under management primarily comprise the income-relevant fund assets of the mutual and special funds under management in the AMK and AMI business divisions. Other components are the volume of direct investments in cooperation partner funds, the cooperation partner fund, third party fund and liquidity portions of fund-based asset management as well as advisory/management mandates and advisory from master funds. The passively managed exchange traded funds (ETFs) are reported in the Corporates & Markets business division.

Assets under management refer to customer funds under management. Assets under management also include DekaBank's own portfolios of €1.1bn (previous year: €1.4bn). These mainly relate to start-up financing for newly launched funds as well as market maker holdings for ETF trading.

Reconciliation of segment results to the consolidated financial statements

In the financial year, the reporting and measurement differences between internal reporting and IFRS net income before tax amount to €76.4m (previous year: €6.5m).

2 Segmentation by operating business divisions

	Asset Management Capital Markets		Asset Management Property		Corporates & Markets	
			Economic result			
€m	2012	2011	2012	2011	2012	2011
Net interest income[2]	46.8	40.5	83.8	71.5	273.2	173.7
Provisions for loan losses	–	–	–22.4	–24.6	–163.3	–98.3
Net commission income	671.0	717.6	179.8	160.9	94.6	99.6
Net financial income[3]	1.8	–19.7	–14.7	–6.2	290.8[4]	127.5[4]
Other income	–13.7	–	–8.6	5.7	–1.4	–15.0
Total income	**705.9**	**738.4**	**217.9**	**207.3**	**493.9**	**287.5**
Administrative expenses (including depreciation)	403.7	437.3	130.4	127.6	286.1	271.0
Restructuring expenses[5]	6.9	0.7	–0.4	0.7	0.6	–
Total expenses	**410.6**	**438.0**	**130.0**	**128.3**	**286.7**	**271.0**
(Economic) result before tax	**295.3**	**300.4**	**87.9**	**79.0**	**207.2**	**16.5**
Cost/income ratio[6]	0.57	0.59	0.54	0.55	0.44	0.70
Group risk (Value-at-Risk)[7]	453	434	216	198	1,370	1,740
Assets under management	133,101	126,895	25,238	24,100	4,308	3,504
Gross loan volume[8]	6,173	5,440[9]	7,716	7,710	139,271	141,973[9]

[1] There is no figure for cost/income ratio and Group risk for the segment Other as these ratios are not meaningful here.
[2] The Asset Management Capital Markets segment includes interest income of €130.9m (previous year: €147.4m) and interest expenses of €84.1m (previous year: €106.9m). In principle, the interest result is managed on the basis of surplus amounts.
[3] This includes the result from assets held for trading (trading book portfolio), the result from non-trading assets (banking book portfolio), the result from other financial investments as well as the result from buying back own issues.
[4] This includes the risk provision for securities in the loans and receivable and held to maturity categories in the amount of €5.2m (previous year: €–78.0m).
[5] Restructuring expenses are reported in the consolidated financial statements under other operating income.
[6] Calculation of the cost/income ratio excluding restructuring expenses and provisions for loan losses.

The valuation result not recognised in income amounted to €56.1m (previous year: €19.7m). Of this, €82.2m (previous year: €–35.4m) relates to the interest rate and currency-related valuation results from original lending and underwriting business, €28.9m (previous year: €55.1m) relates to securities in the held to maturity category which are countered by valuation results from the corresponding interest rate swaps in IFRS net income before tax, as well as €–55.0m (previous year: €0.0m) arising from accounting for effects relevant for management.

The Bank hedges future credit margins on fixed-interest and variable-interest foreign currency loans (original position) against currency fluctuations. The accounting and valuation rules for cash flow hedges were applied to economic hedges. The valuation result from hedging instruments of €22.9m (previous year: €–11.9m) is reported accordingly in the revaluation reserve with no impact on income and thus as part of the economic result. Also recorded in the economic result is the change in the revaluation reserve for available for sale portfolios in the amount of €–0.1m (previous year: €–1.1m).

The other reconciliation amounts shown in the reconciliation column refer to reporting differences between management reporting and the consolidated financial statements. Of these, €98.7m (previous year: €97.8m) relates to internal transactions which are reported in the economic result in net interest income and the corresponding contrary income effects in net financial income. There are also reporting differences in net financial income and in other income from the different allocation of income effects from buying back own issues.

Other [1]		**Total core business**		**Non-core business**		**Group**		**Reconciliation**		**Group**	
Economic result				**Economic result**		**Economic result**				**Net income before tax**	
2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
–8.5	37.4	395.3	323.1	35.8	48.0	431.1	371.1	–96.9	–97.1	334.2	274.0
–	–	–185.7	–122.9	–9.2	5.2	–194.9	–117.7	–0.1	–	–195.0	–117.7
–	–1.8	945.4	976.3	0.7	0.4	946.1	976.7	–0.3	–0.2	945.8	976.5
–76.4	–4.6	201.5	97.0	78.7	–30.1	280.2	66.9	42.1	92.3	322.3	159.2
–4.4	13.9	–28.1	4.6	–	–	–28.1	4.6	–21.2	–1.6	–49.3	3.0
–89.3	**44.9**	**1,328.4**	**1,278.1**	**106.0**	**23.5**	**1,434.4**	**1,301.6**	**–76.4**	**–6.6**	**1,358.0**	**1,295.0**
81.4	74.0	901.6	909.9	4.9	7.8	906.5	917.7	–	–0.1	906.5	917.6
1.5	–0.7	8.6	0.7	–	0.1	8.6	0.8	–	–	8.6	0.8
82.9	**73.3**	**910.2**	**910.6**	**4.9**	**7.9**	**915.1**	**918.5**	**–**	**–0.1**	**915.1**	**918.4**
–172.2	**–28.4**	**418.2**	**367.5**	**101.1**	**15.6**	**519.3**	**383.1**	**–76.4**	**–6.5**	**442.9**	**376.6**
–	–	0.60	0.65	0.04	0.43	0.56	0.65				
–	–	2,040	2,372	404	434	2,345	2,660				
–	–	162,647	154,499	–	–	162,647	154,499				
92[8]	133[8]	153,252	155,256	4,313	5,169	157,565	160,425				

[7] Value-at-risk based on the liquidation value method with confidence level of 99.9% and holding period of 1 year as at 31 December. As a result of the diversification between core and non-core business taken into account in market price risk, Group risk is not determined by adding core and non-core business.
[8] The gross loan volume includes equity investments not allocated to the respective segments but illustrated separately in the Other segment.
[9] From 30 June 2012 onwards, start-up financing for investment funds and transactions to reflect guarantees granted by guaranteed funds, including the relevant amounts committed and the loans of VM Bank International S.A. (in the process of being wound up) to private individuals, are reported separately in the AMK segment. To facilitate a comparison, the status as at 31 December 2011 has been adjusted accordingly.

3 Segmentation by geographical markets

Income from corporate activities by geographical markets is presented below. The segment allocation is carried out on the basis of the respective location of the branch or group company.

	Germany		Luxembourg		Other		Total Group	
€m	2012	2011	2012	2011	2012	2011	2012	2011
Income	946.9	865.5	401.4	418.4	9.7	11.1	1,358.0	1,295.0
Net income before tax	239.3	180.0	211.2	193.7	–7.6	2.9	442.9	376.6
Long-term segment assets[1]	130.5	133.4	3.1	11.5	0.9	2.8	134.5	147.7

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

Accounting policies

4 General information

Unless indicated otherwise, the methods described were applied uniformly and consistently to the reporting periods illustrated.

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

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

In accordance with IFRS 7 "Financial Instruments: Disclosures ", disclosures about the nature and extent of risks arising from financial instruments, which are also a component of the notes to the consolidated financial statements, are presented in the risk report as a part of the Group management report.

5 Scope of consolidation

In addition to DekaBank as parent company, a total of 11 domestic and 8 overseas companies in which DekaBank directly or indirectly holds more than 50.0% of voting rights are included in the consolidated financial statements, as in the previous year. Furthermore, the scope of consolidation includes 9 (previous year: 14) special funds and continues to include one mutual fund that are controlled as defined in SIC 12. The number of special funds was reduced in the reporting period due to fund mergers and the dissolution of one special fund. There were no material effects on earnings as a result.

In total, 17 (previous year: 21) companies in which DekaBank has direct or indirect holdings were not consolidated. They are of minor significance for the presentation of the assets, financial position and earnings of the Group. The shares held in these companies are reported under financial investments.

Mutual funds are not consolidated due to their minor importance to the consolidated financial statements. The significance for the presentation of the assets, financial position and earnings of the Group is assessed using simulation calculations. The units in non-consolidated mutual funds are recognised at fair value through profit or loss. These are shown in the balance sheet under financial assets at fair value.

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

The subsidiaries, joint ventures, associated companies and funds as well as the companies and equity investments not included in the consolidated financial statements due to lack of materiality are shown in the list of shareholdings (note [77]).

6 Consolidation principles

Subsidiaries are companies in which DekaBank directly or indirectly holds the majority of voting rights or whose financial and business policy it can otherwise determine, thereby exercising a controlling interest in order to benefit from its activities. Consolidation begins on the date from which the Group holds a majority of the voting rights or a controlling interest.

Subsidiaries and funds are consolidated under the purchase method, whereby all assets and liabilities of the subsidiary are stated at fair value at the date of acquisition or obtaining of a controlling interest. The difference arising from offsetting the acquisition price against the fair value of the assets and liabilities is reported under intangible assets as goodwill. The goodwill is tested for impairment at least once a year or more frequently if there are indications of a possible decrease in value. If an impairment is ascertained, the goodwill is written down to the lower value (see note [48]). Minority interests in equity and the earnings of the Bank's majority-held subsidiaries are reported separately as minority interests under equity or as minority interests in the statement of comprehensive income. From a Group perspective, minority interests in investment funds and partnerships, insofar as they have a redemption right at any time, constitute debt capital and are thus reported under other liabilities.

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

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

DekaBank's consolidated financial statements have been prepared in accordance with standard accounting policies throughout the Group. The consolidation principles are unchanged on the previous year.

7 Financial instruments

All financial assets and liabilities including all derivative financial instruments are posted in the balance sheet pursuant to IAS 39. Spot purchases and sales (regular way contracts) are carried as at the settlement date. Valuation effects from financial instruments measured at fair value which have a settlement date after the reporting date are recognised in the statement of comprehensive income and reported under other assets or other liabilities, respectively.

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

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

Financial assets or liabilities at fair value through profit or loss

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

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

The designated at fair value sub-category derives from the application of the fair value option in IAS 39. This sub-category comprises those financial assets and liabilities which are managed as a unit on a fair value basis in accordance with the Bank's documented risk management strategy. Both the risk and the results thereof are determined on the basis of fair values and reported to the Board of Management. Exercising the fair value option results in this case in harmonisation of economic management and presentation of the assets, financial position and earnings.

In addition, the fair value option was exercised for financial instruments with embedded derivatives which have to be separated. These financial instruments are also allocated to the designated at fair value sub-category at the date of acquisition.

Loans and receivables

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

Available for sale

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

Held to maturity

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

Other liabilities

Other liabilities comprise financial liabilities including securitised liabilities unless these are designated at fair value through profit or loss. They are carried at amortised cost.

Loan commitments where the resultant loan receivables are to be sold, or for which the fair value option is to be exercised, are measured at fair value through profit or loss in accordance with IAS 39. All other loan commitments are recorded off the balance sheet in accordance with the rules of IAS 37. If the creditworthiness analyses conducted indicate that a default by the borrower is probable, loan provisions are recognised in the amount of the best estimate of the expected expenditure.

Financial guarantees are reported in line with the provisions of IAS 39.47c.

8 Fair value measurement of financial instruments

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

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

These are based on bid prices for assets and on ask prices for liabilities. As DekaBank measures the whole portfolio at average prices, a corresponding adjustment is carried out at the respective valuation date which is recognised in income or under equity depending on the underlying financial instrument.

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

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

In principle, the redemption price published by the respective investment company is used to determine the fair value of non-consolidated funds.

As at 31 December 2012, DekaBank took Credit Value Adjustments (CVA) for OTC derivatives into consideration for the first time in order to account for the credit risk of counterparties. The credit risk resulting from OTC derivatives had already been identified for the derivatives business in previous reporting periods; however, it had not been taken into account due to their lack of materiality. The adjustments reduced the trading profit or loss by €16.7m and the result on financial instruments designated at fair value by €2.6m.

9 Hedge accounting

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

In order to apply hedge accounting, the hedges must be documented individually at the time they are concluded. This documentation includes in particular the identification of the underlying and hedge transactions as well as the type of risk hedged. IAS 39 additionally requires proof of an effective hedge. 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. The effectiveness of the hedge is determined for each hedge both at the start and during the term of the hedge.

As part of its asset liability management, DekaBank uses fair value hedges as defined in IAS 39. Interest rate swaps used to hedge the lending, securities and underwriting business and which meet hedge accounting criteria are essentially designated as hedging instruments. Only microhedges, where the hedging instruments can counter one or more similar underlying transactions, may be designated as hedges.

For fair value hedges, changes in the value of the underlying transaction that are attributable to the hedged risk are included in the result of fair value hedges along with the counter change in the fair value of the hedge pursuant to IAS 39. The derivatives used for hedging are shown in the balance sheet as positive or negative market values from derivative hedging instruments. In principle, the effectiveness of the fair value hedges is monitored on a daily basis using regression analysis. If a hedge is no longer effective, it is cancelled. Monitoring of the effectiveness and any necessary hedge cancellations are carried out on a daily basis. The prospective effectiveness test is performed using the critical term match method.

The Group also applies the rules on cash flow hedge accounting. The underlying transactions are future cash flows from foreign currency loans that are recognised in the statement of comprehensive income and are hedged against currency risks. Spot exchange deals and currency forwards are designated as hedging instruments.

In a cash flow hedge, the effective portion of the change in fair value of the hedging derivative is reported under equity (revaluation reserve for cash flow hedges) with no impact on income. The hedging instruments are shown in the balance sheet as positive or negative market values from derivative hedging instruments. The amounts recorded in the revaluation reserve are taken to income during the period in which the hedged future cash flows are also recognised in the statement of comprehensive income. The earnings components attributable to the ineffective portion of the hedge are recorded with an effect on income.

Daily reporting, which compares the expected future cash flows from the underlying transactions with the cash flows from the hedges, is used to measure the prospective effectiveness. The cash flow hedge is deemed to be effective if the future cash flows from the hedged transactions at least offset the cash flows from the hedges. If the future cash flows change (e.g. through unscheduled repayments, interest payment dates of loans), the hedge is adjusted directly, ensuring same-day effectiveness. To prove effectiveness retrospectively, monthly checks are conducted to determine whether the cash flows actually received correspond to the cash flows expected from the original hedge.

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

10 Structured products

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

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

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

11 Currency translation

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

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

12 Genuine repurchase agreements and securities lending transactions

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

Genuine repurchase agreements are contracts transferring securities for a consideration, in which it is agreed at the same time that the securities must subsequently be transferred back to the pledgor in return for payment of a sum agreed in advance. The pledgor continues to account for the transferred securities in the previous category as the main opportunities and risks of ownership are not transferred. A liability for the pledgor or a claim for the pledgee is accounted for in the amount of the cash sum received or paid, respectively. Provided the IAS 32 netting criteria are met, receivables and liabilities from genuine repurchase agreements are offset against one another and recorded in the balance sheet on a net basis.

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

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

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

13 Lease accounting

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

The DekaBank Group as lessee

The rental and lease agreements concluded by the DekaBank Group as lessee essentially comprise operating leases. The property, plant and equipment to which the operating leases relate are accordingly not reported in the balance sheet. The rental and lease instalments payable by the DekaBank Group are recorded as administrative expenses. Lease payments made in advance were recognised as prepaid income and deferred expenses for the correct accounting period and shown in other assets.

The DekaBank Group as lessor

As at the reporting date, there are no leases in place with companies in the DekaBank Group as lessor.

14 Receivables

The items due from banks and due from customers mainly include loans granted, non-negotiable bearer and registered bonds, demand deposits, call money and time deposits. Paid cash sums and cash collateral from genuine securities repurchase agreements or securities lending transactions are also reported as receivables. Under IAS 39 the amounts due are categorised as loans and receivables (see also note [7]). Amounts due classified as loans and receivables are reported in the balance sheet at amortised cost less any risk provision. Income from interest payments and the sale of receivables is reported in net interest income apart from interest payments for receivables held for trading purposes (for portfolios in the trading book) which are reported in trading profit or loss. The valuation regulations described in note [9] apply to receivables secured as part of fair value hedges.

15 Provisions for loan losses

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

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

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

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

- default in payment lasting more than 90 days;
- delay or waiver of payment obligations;
- initiation of enforcement measures;
- imminent insolvency or overindebtedness;
- petition for or commencement of insolvency proceedings;
- failure of reorganisation measures.

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

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

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

The portfolio valuation allowances for creditworthiness risks reflect the assumptions concerning impairments of the loan and securities portfolio that have already occurred at the reporting date but have not yet become known. The assessment base includes financial instruments in the loans and receivables and held to maturity categories. Portfolio valuation allowances are determined taking borrower ratings, counterparty default history and current economic development (expected loss) into account.

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

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

16 Risk provision for securitised instruments

At DekaBank, securitised instruments are primarily categorised as designated at fair value and are accordingly measured at fair value through profit or loss. Consequently only loans and receivables are to be regularly tested for impairment. In accordance with the regulations under IAS 39.59, the Bank has stipulated specific qualitative and quantitative impairment indicators for securitised instruments, which include trigger breaches in the pool, rating downgrades and significant negative changes in fair value resulting from creditworthiness. An impairment test must be carried out if such indicators arise.

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

The impairment requirement is determined as the difference between the recoverable amount and the book value of the securities and recognised in the statement of comprehensive income under profit or loss on financial investments.

17 Financial assets and financial liabilities at fair value

Held for trading

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

Designated at fair value

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

18 Positive and negative market values from derivative hedging instruments

This item includes hedging derivatives as defined in IAS 39 (hedge accounting) with positive market values on the asset side and negative market values on the liabilities side of the balance sheet.

Hedging derivatives are valued at fair value using accepted valuation models based on observable measurement parameters. The valuation results determined by hedge accounting for fair value hedges are recorded in the statement of comprehensive income as profit or loss from fair value hedges in accordance with IAS 39. Current income from hedging derivatives is shown as net interest income.

In a cash flow hedge, the effective portion of the change in fair value of the hedging derivative is reported under equity (revaluation reserve for cash flow hedges) with no impact on income. The amounts recorded in the revaluation reserve are recorded with an effect on income under profit or loss on financial investments measured at fair value during the period in which the hedged cash flow is also recognised in the statement of comprehensive income.

19 Financial investments

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

The financial investments item comprises financial instruments in the loans and receivables, held to maturity and available for sale categories. Securities shown under loans and receivables or as held to maturity are reported at amortised cost. Financial assets in the available for sale category are reported at fair value. Interests in associated unlisted companies and other equity investments for which neither prices from active markets nor the factors relevant for valuation models can be reliably determined, are stated at cost in accordance with IAS 39.46c.

Income from bonds, including that of cancelled premiums and discounts, as well as dividend income and current income from non-consolidated equity investments in associated companies are posted as net interest income. Realised gains and losses are recorded in profit or loss on financial investments. Valuation results from financial instruments in the available for sale category, after taking into account deferred taxes, are recorded directly under equity in the revaluation reserve.

Financial investments are regularly subject to an impairment test. A potential impairment on tradable securities in the loans and receivables, held to maturity and available for sale categories exists in principle if, as a result of a deterioration in the creditworthiness of the issuer, the market value of an instrument has fallen significantly below its cost of acquisition or if the drop in market value is long term.

If there is an impairment, a valuation allowance is to be recognised taking account of the expected cash flows from valuable collateral (guarantees, credit default swaps etc.). Impairments are recorded with an effect on income under profit or loss on financial investments. If the reasons for a previously recognised valuation allowance no longer apply, a write-up is to be reported for the debt instrument. Write-ups on debt instruments are also recorded with an effect on income under profit or loss on financial investments. In contrast, increases in value in equity instruments that are available for sale are recognised in the revaluation reserve with no impact on income.

If the result of the impairment test shows there is no need to recognise a specific valuation allowance, the corresponding financial investments in the loans and receivables and held to maturity categories are to be taken into account in the measurement basis for the portfolio valuation allowances. As with loans, portfolio valuation allowances for creditworthiness risks on financial investments are determined using the expected loss method. No portfolio valuation allowances are recognised for financial investments in the available for sale category.

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

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

If there are indications of an impairment of the shares in a company valued in accordance with the equity method, these are subject to an impairment test and if necessary, the equity value of the shares will be written down. Revaluations take place if the reasons for depreciation no longer apply through write-ups up to the recoverable amount, but at maximum only up to the amount of the book value that would have been applicable in the previous periods without the impairment losses. Impairments and revaluations are recognised in the statement of comprehensive income under profit or loss on financial investments.

20 Intangible assets

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

Intangible assets acquired for payment are stated at amortised cost. Software developed in-house is capitalised at cost where it meets the reporting criteria under IAS 38. Capitalised costs mainly include personnel expenses and expenses for external services.

As in the previous year, software developed in-house or purchased is amortised over four years on a straight-line basis. Where there are signs that the projected use is no longer in evidence, the software is written down.

Goodwill arises on the acquisition of subsidiaries if the cost of acquisition exceeds the Group's share of the acquired company's net assets. Goodwill is reported at cost as at the date of acquisition and is not subject to any regular amortisation. The subsequent valuation is carried out at cost less all accumulated impairment charges. Goodwill is subject to an impairment test each year, or more frequently if there are indications of a possible decrease in value. If an impairment is determined during the test, the goodwill is written down.

Scheduled amortisation and impairment losses on intangible assets are recorded under administrative expenses in the statement of comprehensive income.

21 Property, plant and equipment

In addition to plant and equipment, the property, plant and equipment item includes, in particular, land and buildings used for the company's own commercial activities. Property, plant and equipment are stated at amortised cost. Deferred expenditure for property, plant and equipment is capitalised if an increase in the future potential benefit can be assumed. All other deferred expenditure is recorded as an expense. As in the previous year, property, plant and equipment are depreciated on a straight-line basis over the following periods in accordance with their estimated useful economic life:

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

For materiality reasons, economic assets as defined in Section 6 (2) of the German Income Tax Act (EStG) are recognised as write-downs in accordance with tax regulations in the year of acquisition.

Impairment losses exceeding amortised cost are immediately recognised as write-downs. Scheduled depreciation and impairment losses are stated under administrative expenses, while gains and losses from the disposal of property, plant and equipment are recorded as other operating income.

22 Other assets

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

23 Income taxes

As DekaBank is treated for tax purposes as an atypical silent partnership, DekaBank only accrues corporation tax to the extent that taxable income is not allocated to atypical silent partners. Taking into account the Bank's existing own shares in subscribed capital (acquired in the first half of 2011), the holdings of atypical silent partners in taxable income is 45.6%. This results in a combined tax rate of 24.68% for the companies in the DekaBank fiscal group. However, in return for the allocation of the tax base, atypical silent partners are entitled to allocate to DekaBank the corporation tax expense attributable to them (45.6% of 15.0% corporation tax plus solidarity surcharge thereon, in total 7.22%), meaning that DekaBank pays an amount equal to the tax expense to the atypical silent partners and from an economical point of view bears this part of the tax expense, as well. Thus, in order to achieve better comparability, the portion of the corporation tax expense attributable to the atypical silent partners is also reported as tax expense. The applicable combined tax rate (trade tax plus corporation tax and solidarity surcharge) therefore totals 31.90%.

In the 2012 financial year, the surplus value for tax purposes arising from the supplementary balance sheets of the partners was included for the first time when determining the basis of assessment for deferred taxes. The change in partners in the previous year led to a significant increase in this added value, the amount of which was only certain upon completion of the tax audit for 2011 towards the end of 2012 due to uncertainties in dividing the individual economic goods.

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

Deferred income tax assets and liabilities are recognised for temporary differences between the estimated values of assets and liabilities in the IFRS balance sheet and the tax balance sheet. They are calculated based on the tax rate projected for the date they will be reversed. Deferred liabilities are posted for timing differences resulting in tax charges on reversal. If tax savings are projected when timing differences are settled and it is probable they will be utilised, deferred tax assets are recorded. Actual income tax assets and liabilities and deferred tax assets and liabilities are stated net without discounting in each case. Deferred taxes on timing differences that have arisen with no effect on profit or loss are also recorded in the revaluation reserve with no impact on income.

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

24 Liabilities

Financial liabilities are accounted for in the balance sheet at amortised cost if they come under the other liabilities category. Liabilities in the fair value through profit or loss category are measured at fair value with an effect on income. The valuation guidelines indicated in note [9] apply to liabilities which have been designated as hedges in the context of hedge accounting.

25 Provisions for pensions and similar commitments

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

For the defined contribution plans, a fixed amount is paid to an external provider (such as Sparkassen Pensionskasse, BVV and direct insurance companies). The Group does not recognise any provisions for such commitments in accordance with IAS 19.

For defined benefit plans, the scope of obligation is calculated by independent actuarial experts. In these cases, at each closing date the present value of the pension entitlements earned (defined benefit obligation) is determined using the 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 and the actual development during the year lead, just like the annual updating of the actuarial assumptions, to differences between the book value of the pension provisions (before deduction of plan assets) and the higher of the present value of the entitlements earned and the fair value of the plan assets as at the reporting date. These so-called actuarial gains and losses are shown in the balance sheet in accordance with the corridor approach. This means that if on the reporting date, there is a difference of more than 10.0% between the book value of the pension provisions and the present value of the pension entitlements earned, this is amortised with an effect on income over the average residual working lifetime of the active employees.

As well as final salary plans and general contribution schemes, the defined benefit obligations of the DekaBank Group include fund-based defined contribution plans. Under the fund-based defined contribution plans, the contributions are provided by both employer and employee and are invested in the DekaBank Group's investment funds. When benefits become due the employee is entitled to a contractually agreed minimum benefit or to the market value of the underlying fund units if higher. The guarantee components and the variable fund components are measured separately. The level of the liability is derived from the higher value in each case. If the fund component exceeds the promised minimum benefit, this gives rise to an additional liability.

Plan assets were created for the company retirement pensions of the DekaBank Group in the form of a Contractual Trust Arrangement (CTA). These are held by a legally independent trustee – Deka Trust e.V. The plan assets for the fund-based defined contribution plans consist primarily of fund assets allocated per individual employee and other assets to cover the biometric risks arising from benefits becoming due early and the additional financing risk. In addition, commitments under final salary plans and general contribution schemes were funded through the creation of ring-fenced plan assets using a CTA. This section of the plan assets is invested in a special fund with an investment strategy based on an integrated asset liability assessment. The plan assets are measured at fair value and reduce the pension provisions shown in the balance sheet. The expected income from the plan assets is offset against the original pension expense.

Similar commitments include commitments for early retirement and transitional payments. These are also valued actuarially and provision is made in the amount of the present value of the commitment. When accounting for similar commitments, no actuarial profits or losses arise in principle and the provision shown in the accounts therefore corresponds to the present value of the commitment. Furthermore, employees of the DekaBank Group also have the option of paying into working hours accounts. The accounts are maintained in money and, like the defined benefit plans, are covered by plan assets in Deka Trust e.V. The amount carried in the balance sheet is the difference between the extent of the Commitments and the fair value of the plan assets.

26 Other provisions

Provisions for uncertain liabilities to third parties and imminent losses from pending business are recognised on a best estimate basis. Risks and uncertainties are taken into account when determining these provisions, as well as relevant knowledge relating to the liability. If the interest effect has a material impact, long-term provisions with a suitable market rate for the residual term are discounted and valued at the present value of the liability. A pre-tax discount rate is used that reflects current market expectations relating to the interest effect and the risks specific to the liability. Allocations and reversals are carried out via the line item in the statement of comprehensive income that corresponds to the provision in terms of content. Provisions for creditworthiness risks in off-balance sheet lending transactions are charged to provisions for loan losses and reversed in the same line item.

27 Other liabilities

Other liabilities include accruals and liabilities which individually are not material and cannot be allocated to any other line item in the balance sheet. They are measured at amortised cost. The negative valuation effects from regular way financial instruments measured at fair value, of which the settlement date is after the reporting date, are also reported under other liabilities.

28 Subordinated capital

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

29 Atypical silent capital contributions

Atypical silent capital contributions are liable capital within the meaning of Section 10 of the German Banking Act (KWG) or equity shown in the balance sheet in accordance with German commercial law. Under IAS 32, atypical silent capital contributions are, however, to be treated as debt since atypical silent partners have a contractual termination right.

Atypical silent capital contributions are stated in the balance sheet at nominal value. The basis for calculating the distribution to atypical silent partners is DekaBank's net income for the year under commercial law plus certain taxes that can be withdrawn. The distribution is disclosed as a separate item – interest expenses for atypical silent capital contributions – below net income before tax. The allocable tax is disclosed as a component of the tax expense (see note [23]).

30 Equity

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

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

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

The effective portion of the fair value changes in the hedging instruments from cash flow hedges is also reported in the revaluation reserve after taking account of any applicable deferred tax. The amounts recorded in the revaluation reserve are taken to income during the period in which the hedged future cash flows are also recognised in the statement of comprehensive income. The earnings components attributable to the ineffective portion of the fair value change in the hedging instruments are recorded with an effect on income.

The differences arising from the conversion of financial statements of foreign subsidiaries prepared in a foreign currency are posted in the currency translation reserve.

Minority interests are shown as a separate sub-item under equity.

Notes to the statement of comprehensive income

31 Net interest income

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

€m	2012	2011	Change
Interest income from			
Lending and money market transactions	1,320.2	1,518.8	–198.6
Interest rate derivatives (economic hedges)	718.5	764.8	–46.3
Fixed-interest securities and debt register claims	446.9	529.5	–82.6
Hedging derivatives (hedge accounting)	107.0	100.8	6.2
Current income from			
Shares and other non fixed-interest securities	136.5	144.3	–7.8
Equity investments	2.2	2.1	0.1
Total interest income	**2,731.3**	**3,060.3**	–329.0
Interest expenses for			
Liabilities	928.9	1,145.3	–216.4
Interest rate derivatives (economic hedges)	884.6	915.5	–30.9
Hedging derivatives (hedge accounting)	145.7	154.4	–8.7
Securitised liabilities	394.6	489.6	–95.0
Subordinated capital	15.5	45.6	–30.1
Typical silent capital contributions	27.8	35.9	–8.1
Total interest expenses	**2,397.1**	**2,786.3**	–389.2
Net interest income	**334.2**	**274.0**	60.2

The profit from the disposal of receivables amounting to €17.0m (previous year: €25.7m) is reported under interest income from lending and money market transactions.

In the reporting year, interest amounting to €11.3m (previous year: €6.9m) was collected on impaired loans and securities. In the DekaBank Group, loans are designated non-performing loans if they have been made interest-free, the interest and/or capital payments are at least 90 days overdue or they refer to non-performing loans in the process of restructuring. The total amount of non-performing loans as at the reporting date stood at €744.8m (previous year: €655.5m).

Overall, interest income of €1,376.1m (previous year: €1,609.9m) and interest expenses of €1,061.9m (previous year: €1,343.1m) were reported for financial assets and liabilities not measured at fair value.

32 Provisions for loan losses

The breakdown of provisions for loan losses in the statement of comprehensive income is as follows:

€m	2012	2011	Change
Allocations to provisions for loan losses	–220.9	–146.2	–74.7
Direct write-downs on receivables	–0.2	–0.7	0.5
Reversals of provisions for loan losses	24.0	26.6	–2.6
Income on written-down receivables	2.1	2.6	–0.5
Provisions for loan losses	**–195.0**	**–117.7**	–77.3

The risk provision for securities in the loans and receivables and held to maturity categories are reported under profit or loss on financial investments (note [37]).

33 Net commission income

€m	2012	2011	Change
Commission income from			
Investment fund business	2,004.1	2,070.7	–66.6
Securities business	111.0	114.7	–3.7
Lending business	52.8	45.2	7.6
Other	29.2	38.0	–8.8
Total commission income	**2,197.1**	**2,268.6**	–71.5
Commission expenses for			
Investment fund business	1,218.6	1,260.8	–42.2
Securities business	16.8	15.0	1.8
Lending business	13.7	14.0	–0.3
Other	2.2	2.3	–0.1
Total commission expenses	**1,251.3**	**1,292.1**	–40.8
Net commission income	**945.8**	**976.5**	–30.7

Commission income is measured at the fair value of the consideration received or to be claimed. Fees from services and performance-related commission are recognised in the statement of comprehensive income if the service has been rendered or significant performance criteria have been met. Fees for services which are rendered over a particular period are recognised over the period in which the service is rendered.

Commission income from investment fund business essentially comprises management fees, asset management fees and sales commission. The vast majority of the net commission income stems from portfolio-related sustained commission relating to existing business. Performance-related remuneration and income from lump sum costs are also shown under commission income from investment fund business. The corresponding expenses relating to the lump sum costs are reported in the respective expenses item – mainly in administrative expenses – on a source-specific basis. The commission expenses for the investment fund business are primarily attributable to services provided to sales partners. Therefore, net commission income from investment fund business mostly comprises fees in accordance with IFRS 7.20c (ii).

Commission expenses in the amount of €50.0 thousand (previous year: €140.4 thousand), which are not included when determining the effective interest rate, were incurred for financial instruments not measured at fair value through profit or loss.

34 Trading profit or loss

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

€m	2012	2011	Change
Sale and valuation results	–400.6	–469.8	69.2
Net interest income and current income from trading transactions	787.8	921.4	–133.6
Commission on trading transactions	–19.9	–12.4	–7.5
Trading profit or loss	**367.3**	**439.2**	–71.9

Net interest income from trading includes refinancing expenses of €290.3m (previous year: €380.2m).

35 Profit or loss on financial instruments designated at fair value

The item includes profit or loss on financial instruments allocated to the designated at fair value sub-category as well as the profit or loss on derivatives in the banking book. In principle, the valuation results are determined using market prices. If no market prices are available, the market values are calculated based on current market data using standard valuation models.

€m	2012	2011	Change
Sale and valuation results	–41.9	–220.9	179.0
Foreign exchange profit or loss	–19.7	9.0	–28.7
Commission	–0.1	–0.1	–
Total	**–61.7**	**–212.0**	150.3

The valuation result includes a net expense of €77.1m (previous year: €17.3m) arising from creditworthiness-related changes in value for liabilities designated at fair value. The creditworthiness-related changes in value were calculated as the difference between the result based on a full fair value valuation and the result from a valuation based on swap rates of the corresponding issue currency.

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

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

€m	2012	2011	Change
Valuation result from hedged underlying transactions	–58.9	–77.3	18.4
Valuation result from hedging derivatives	70.4	75.9	–5.5
Total	**11.5**	**–1.4**	12.9

37 Profit or loss on financial investments

€m	2012	2011	Change
Sale and valuation results from securities	–0.6	13.5	–14.1
Sale and valuation results from shareholdings	1.6	–0.6	2.2
Net income from investments valued using the equity method	–1.1	1.4	–2.5
Reversal of/allocation to risk provision for securities	5.3	–80.9	86.2
Net income from financial investments	**5.2**	**–66.6**	71.8

Based on the current earnings forecast, DekaBank's equity interest in the S PensionsManagement Group produces a prorated result of €0.8m (previous year: €0.7m). The difference between the projected and actual result for 2011, in the amount of €0.8m (previous year: €0.1m), was recorded as income.

In accordance with the preliminary financial statements of the company, a prorated result of €–2.7m (previous year: €1.0m) from the equity investment in Dealis Fund Operations GmbH was included in the result from companies valued at equity in the reporting year.

38 Administrative expenses

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

€m	2012	2011	Change
Personnel expenses			
Wages and salaries	340.4	304.6	35.8
Social security contributions	39.4	38.2	1.2
Allocation to/reversal of provisions for pensions and similar commitments	22.0	21.7	0.3
Expenses for defined contribution plans	2.3	2.2	0.1
Other expenses for retirement pensions and benefits	1.1	1.0	0.1
Total personnel expenses	**405.2**	**367.7**	**37.5**
Other administrative expenses			
Consultancy expenses	150.3	161.9	– 11.6
Computer equipment and machinery	60.9	67.8	– 6.9
Lease expenses	47.9	49.9	– 2.0
Lump sum for fund administration services	35.7	37.8	–2.1
Marketing and sales expenses	35.3	41.6	– 6.3
Postage/telephone/office supplies as well as IT information services	34.2	32.2	2.0
Bank levy	28.5	17.1	11.4
Other administrative expenses	77.3	79.2	–1.9
Total other administrative expenses	**470.1**	**487.5**	– 17.4
Depreciation of intangible assets	25.5	32.7	– 7.2
Depreciation of property, plant and equipment	4.5	4.8	– 0.3
Impairment of property, plant and equipment	1.0	–	1.0
Impairment of intangible assets	0.2	24.9	– 24.7
Total depreciation	**31.2**	**62.4**	– 31.2
Administrative expenses	**906.5**	**917.6**	– 11.1

Other administrative expenses primarily include expenses for membership subscriptions to various organisations, other costs of premises, annual accounts and auditing costs as well as travel costs.

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

€m	2012	2011	Change
Up to 1 year	48.8	45.8	3.0
Between 1 and 5 years	170.0	146.5	23.5
More than 5 years	160.0	84.6	75.4

39 Other operating income

The breakdown in other operating income is as follows:

€m	2012	2011	Change
Income from repurchased debt instruments	**–21.2**	**–1.6**	–19.6
Other operating profit			
Rental income	1.4	2.0	–0.6
Reversal of other provisions	1.2	12.5	–11.3
Other income	15.1	36.2	–21.1
Total other operating profit	**17.7**	**50.7**	–33.0
Other operating expenses			
VAT from provision of intra-Group services	16.0	14.8	1.2
Restructuring expenses	9.2	1.4	7.8
Other taxes	0.9	2.9	–2.0
Other expenses	28.3	27.8	0.5
Total other operating expenses	**54.4**	**46.9**	7.5
Other operating income	**–57.9**	**2.2**	–60.1

The repurchase of the Bank's own registered and bearer bonds as well as promissory note loans raised led to a reduction in the liability (net result). The repurchase of debt instruments is associated with the realization of a profit or loss in the amount of the difference between the repurchase price and the book price. Other income includes administrative fees for settlement services relating to company pension scheme products amounting to €808.5 thousand (previous year: €836.0 thousand).

40 Income taxes

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

€m	2012	2011	Change
Current tax expense	190.9	101.6	89.3
Deferred taxes	–84.8	–43.5	–41.3
Total	**106.1**	**58.1**	48.0

The rate of tax that applies in Germany comprises the applicable corporation tax rate of 15.0% plus the solidarity surcharge of 5.5% and the respective rate of trade tax. As DekaBank is treated for tax purposes as an atypical silent partnership, this results for the companies in the DekaBank fiscal group in a combined tax rate of 24.68% (previous year: 24.68%). Furthermore, atypical silent partners have a right to allocate the portion of corporation tax expense attributable to them (7.22%). A tax rate of 31.90% (previous year: 31.90%) is therefore applied for the valuation of deferred taxes (see also note [23]). This tax rate is assumed as the expected tax rate in the reconciliation statement below. As in the previous year, the other domestic companies determine their deferred taxes at a tax rate of around 32.0%.

The foreign companies determine deferred taxes using the respective tax rate for the country in question. The tax rate amounts to 29.22% for the DekaBank Luxembourg fiscal group (previous year: 28.80%).

The origination or reversal of temporary differences led to deferred tax income of €84.5m (previous year: €44.1m). In addition, a deferred tax expense from the recognition of tax loss carryforwards in the amount of €0.5m (previous year: deferred tax liabilities of €0.6m) was taken into consideration. At the same time, the change to the tax rate in Luxembourg led to a deferred tax expense of €0.2m (previous year: €0.0m).

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

€m	2012	2011	Change
IFRS – net income before tax	442.9	376.6	66.3
x income tax rate	31.90%	31.90%	
= Anticipated income tax expense in financial year	**141.3**	**120.1**	21.2
Increase from taxes on non-deductible expenses	15.4	28.9	–13.5
Decrease from taxes on tax-exempt income	12.5	41.2	–28.7
Withholding tax	8.9	3.1	5.8
Tax effect of equity valuation	0.2	–0.5	0.7
Tax effect of special funds	0.1	2.0	–1.9
Tax effects from past periods	–27.5	–50.7	23.2
Tax effects from consideration of supplementary tax balance sheets	–17.4	–	–17.4
Effects of differing effective tax rates	–6.0	–7.8	1.8
Tax on joint ventures/partnerships	–0.5	0.7	–1.2
Effects from tax rates changes	–	–2.5	2.5
Other	4.1	6.0	–1.9
Tax expenses according to IFRS	**106.1**	**58.1**	48.0

The non-deductible expenses primarily include the effect from the non tax deductibility of the bank levy.

As in the previous year, the tax-exempt income is mainly attributable to the special funds held by DekaBank.

The tax impact from previous periods is connected with assessments from previous years. The Luxembourg-based companies DekaBank Luxembourg S.A., Deka International S.A. and International Fund Management S.A. released provisions or collected tax refunds totalling €18.2m. A further €8.5m is connected to the completion of the 2011 audit for DekaBank DGZ.

The tax reduction resulting from the consideration of supplementary tax balance sheets is primarily related to the first-time consideration of the difference between the purchase price paid as part of the 2011 change in partners and the carrying amount for tax purposes that arose during the determination of the deferred tax items (see also Note [23]). It was not possible to be certain of the division of tax values between depreciable assets (e.g. tax goodwill, etc.) and non-depreciable assets (shares in subsidiaries) upon completion of the 2011 tax audit towards the end of 2012.

Notes to the consolidated balance sheet

41 Cash reserves

The breakdown in cash reserves is as follows:

€m	31.12.2012	31.12.2011	Change
Cash on hand	4.0	5.3	–1.3
Balances with central banks	3,381.3	360.7	3,020.6
Balances with post office banks	2.4	2.2	0.2
Total	**3,387.7**	**368.2**	3,019.5

Due to the flat interest rate structure in the short-term range, the balances in the Deutsche Bundesbank in the amount of €3.3bn (previous year: €245.6m) were held in reserve as at the reporting date. The required minimum reserve was constantly maintained in the reporting year and amounted to €166.9m (previous year: €263.8m).

42 Due from banks

€m	31.12.2012	31.12.2011	Change
Domestic banks	23,674.8	32,122.1	–8,447.3
Foreign banks	9,028.2	7,852.5	1,175.7
Due from banks before risk provision	**32,703.0**	**39,974.6**	–7,271.6
Provisions for loan losses	–367.4	–377.9	10.5
Total	**32,335.6**	**39,596.7**	–7,261.1

DekaBank paid €7.8bn (previous year: €8.5bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower, respectively.

Receivables and liabilities of €5.5bn (previous year: €2.2bn) arising from genuine repurchase agreements are stated on a net basis in accordance with the requirements of IAS 32.42.

43 Due from customers

€m	31.12.2012	31.12.2011	Change
Domestic borrowers	12,666.5	14,000.1	–1,333.6
Foreign borrowers	18,296.8	17,906.0	390.8
Due from customers before risk provision	**30,963.3**	**31,906.1**	–942.8
Provisions for loan losses	–339.0	–303.1	–35.9
Total	**30,624.3**	**31,603.0**	–978.7

DekaBank paid €11.0bn (previous year: €10.6bn) for genuine repurchase agreements and collateralised securities lending transactions as pledgee and borrower, respectively.

44 Provisions for loan losses

Default risks in the lending business are recognised through the creation of specific and portfolio valuation allowances and the recognition of provisions for off-balance sheet liabilities. The portfolio valuation allowances for creditworthiness risks reflect the assumptions concerning impairments in the loan portfolio that have already occurred but are not yet known as at the reporting date. Account is taken of the transfer risk through the recognition of portfolio valuation allowances for country risks.

€m	31.12.2012	31.12.2011	Change
Provisions for loan losses – due from banks			
Specific valuation allowances	365.1	376.8	–11.7
Portfolio valuation allowances for creditworthiness risks	2.3	1.1	1.2
Provisions for loan losses – due from customers			
Specific valuation allowances	284.1	236.7	47.4
Portfolio valuation allowances for country risks	1.3	13.7	–12.4
Portfolio valuation allowances for creditworthiness risks	53.6	52.7	0.9
Total	**706.4**	**681.0**	25.4

As at the reporting date, the total amount of non-performing loans stood at €744.8m (previous year: €655.5m). Provisions for loan losses amounting to €504.8m (previous year: €485.5m) were recognised for these loans.

As of the reporting date, the total amount of loans in default but not impaired amounted to €7.7m (previous year: €0.4m).

On the reporting date, extension agreements of €57.7m had been made in the DekaBank Group, primarily concerning the deferment of interest and repayments. A specific valuation allowance of €9.5m has been allocated to these agreements.

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

€m	Opening balance 01.01.2012	Allocation	Utilisation	Reversal	Reclassi-fication	Currency effects	Closing balance 31.12.2012
Provisions for loan losses – due from banks							
Specific valuation allowances	376.8	–	7.4	0.4	–3.9	–	365.1
Portfolio valuation allowances for creditworthiness risks	1.1	1.2	–	–	–	–	2.3
Sub-total	**377.9**	**1.2**	**7.4**	**0.4**	**–3.9**	**–**	**367.4**
Provisions for loan losses – due from customers							
Specific valuation allowances	236.7	216.2	149.6	7.1	–	–12.1	284.1
Portfolio valuation allowances for country risks	13.7	–	0.7	11.5	–	–0.2	1.3
Portfolio valuation allowances for creditworthiness risks	52.7	0.9	–	–	–	–	53.6
Sub-total	**303.1**	**217.1**	**150.3**	**18.6**	**–**	**–12.3**	**339.0**
Provisions for credit risks							
Specific risks	2.2	2.6	0.1	1.9	–	–0.1	2.7
Portfolio risks	6.4	–	–	3.1	–	–	3.3
Sub-total	**8.6**	**2.6**	**0.1**	**5.0**	**–**	**–0.1**	**6.0**
Total	**689.6**	**220.9**	**157.8**	**24.0**	**–3.9**	**–12.4**	**712.4**
Of which transport & trade finance	82.7	93.8	5.6	–	–	–5.7	165.2
Of which property risks	120.6	18.9	61.2	–	–	–5.5	72.8
Of which energy and utility infrastructure	44.7	69.9	70.8	–	–	–1.0	42.8

€m	Opening balance 01.01.2011	Allocation	Utilisation	Reversal	Reclassi-fication	Currency effects	Closing balance 31.12.2011
Provisions for loan losses – due from banks							
Specific valuation allowances	384.5	9.6	36.7	0.1	19.6	–0.1	376.8
Portfolio valuation allowances for creditworthiness risks	1.3	–	–	0.2	–	–	1.1
Sub-total	**385.8**	**9.6**	**36.7**	**0.3**	**19.6**	**–0.1**	**377.9**
Provisions for loan losses – due from customers							
Specific valuation allowances	131.3	134.4	23.4	9.4	–	3.8	236.7
Portfolio valuation allowances for country risks	15.1	–	0.6	1.1	–	0.3	13.7
Portfolio valuation allowances for creditworthiness risks	58.7	0.1	–	6.1	–	–	52.7
Sub-total	**205.1**	**134.5**	**24.0**	**16.6**	**–**	**4.1**	**303.1**
Provisions for credit risks							
Specific risks	7.0	2.1	–	6.8	–	–0.1	2.2
Portfolio risks	9.3	–	–	2.9	–	–	6.4
Sub-total	**16.3**	**2.1**	**–**	**9.7**	**–**	**–0.1**	**8.6**
Total	**607.2**	**146.2**	**60.7**	**26.6**	**19.6**	**3.9**	**689.6**
Of which property risks	102.6	25.7	9.2	–	–	1.5	120.6
Of which transport & trade finance	44.9	45.3	9.2	–	–	1.7	82.7
Of which Corporates	39.9	–	5.5	2.1	3.0	–	35.3

Key ratios for provisions for loan losses:

%	2012	2011
Reversal/allocation ratio as at reporting date[1] (Quotient from net allocation and lending volume)	–0.50	–0.27
Default rate as at reporting date (Quotient from loan defaults and lending volume)	0.40	0.13
Average default rate (Quotient from loan defaults in 5-year average and lending volume)	0.17	0.10
Net provisioning ratio as at reporting date (Quotient from provisions for loan losses and lending volume)	1.82	1.53

[1] Reversal ratio shown without leading sign.

The calculations of the key ratios are based on the following lending volume:

€m	31.12.2012	31.12.2011
Due from banks[1]	18,495.6	22,342.0
Due from customers[1]	19,082.9	20,463.7
Contingent liabilities	351.0	440.6
Irrevocable lending commitments	1,262.3	1,691.6
Total	**39,191.8**	**44,937.9**

[1] Excluding money transactions.

Provision for loan losses by risk segment:

	Valuation allowances and provisions for loan losses		Loan defaults [1]		Net allocations to[2]/reversals of valuation allowances and provisions for loan losses	
€m	31.12.2012	31.12.2011	2012	2011	2012	2011
Customers						
Transport & export finance	165.2	82.7	5.2	9.8	–93.9	–45.3
Property risks	72.8	120.6	61.0	8.1	–18.9	–25.7
Energy and utility infrastructure	42.8	44.7	71.0	–	–69.9	–22.8
Corporates	33.4	35.3	13.0	5.5	–11.0	2.1
Public infrastructure	28.4	27.8	–	–	–0.7	–19.1
Other	2.4	0.6	–	–	–1.7	0.6
Total customers	**345.0**	**311.7**	**150.2**	**23.4**	**–196.1**	**–110.2**
Banks	**367.4**	**377.9**	**5.8**	**35.4**	**–0.8**	**–9.4**
Total	**712.4**	**689.6**	**156.0**	**58.8**	**–196.9**	**–119.6**

[1] Payments received on written-down receivables – negative in the column.
[2] Negative in the column.

45 Financial assets at fair value through profit or loss

In addition to securities and receivables in the categories held for trading and designated at fair value, the financial assets at fair value item includes positive market values from derivative financial instruments in the trading book and from economic hedges that do not meet the criteria for hedge accounting in accordance with IAS 39.

€m	31.12.2012	31.12.2011	Change
Held for trading			
Bonds and debt securities	21,758.3	18,405.2	3,353.1
Positive market values from derivative financial instruments (trading)	15,097.2	19,456.0	–4,358.8
Investment fund units	816.6	1,004.3	–187.7
Shares	432.8	316.4	116.4
Money market securities	186.8	296.6	–109.8
Promissory note loans	135.3	131.5	3.8
Other non fixed-interest securities	0.5	–	0.5
Participating certificates	–	3.1	–3.1
Total – held for trading	**38,427.5**	**39,613.1**	–1,185.6
Designated at Fair Value			
Bonds and debt securities	13,982.9	10,911.6	3,071.3
Positive market values from derivative financial instruments (economic hedges)	2,558.3	2,646.3	–88.0
Amounts due from securities repurchase agreements	2,517.1	2,526.3	–9.2
Investment fund units	427.0	643.2	–216.2
Money market securities	145.3	170.3	–25.0
Shares	26.9	12.0	14.9
Participating certificates	5.2	4.9	0.3
Promissory note loans	2.0	12.4	–10.4
Other financial instruments designated at fair value	8.4	–	8.4
Total – designated at fair value	**19,673.1**	**16,927.0**	2,746.1
Total	**58,100.6**	**56,540.1**	1,560.5

There were no significant creditworthiness-related adjustments in the value of receivables and loans designated at fair value, either in the reporting year or cumulatively.

The maximum default risk for loans and receivables in the designated at fair value category corresponds to the fair value and thus their book value.

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

€m	31.12.2012	31.12.2011	Change
Bonds and other fixed-interest securities	33,878.6	28,074.6	5,804.0
Shares and other non fixed-interest securities	1,182.9	1,255.0	–72.1

46 Positive market values from derivative hedging instruments

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

€m	31.12.2012	31.12.2011	Change
Fair value hedges			
Asset items			
Due from customers			
Loans and receivables category	12.6	15.3	–2.7
Liabilities items			
Due to banks	68.2	52.9	15.3
Due to customers	268.3	209.6	58.7
Securitised liabilities	69.7	117.3	–47.6
Subordinated capital	–	33.0	–33.0
Total fair value hedges	**418.8**	**428.1**	–9.3
Cash flow hedges			
Asset items	12.4	–	12.4
Total	**431.2**	**428.1**	3.1

The hedging instruments referred chiefly to interest rate swaps (fair value hedges) and currency forwards (cash flow hedges).

47 Financial investments

€m	31.12.2012	31.12.2011	Change
Loans and receivables			
Bonds and other fixed-interest securities	1,021.9	1,219.5	–197.6
Held to maturity			
Bonds and other fixed-interest securities	3,110.6	3,267.6	–157.0
Available for sale			
Bonds and other fixed-interest securities	44.5	52.0	–7.5
Shares and other non fixed-interest securities	0.6	0.2	0.4
Equity investments	35.3	31.7	3.6
Shares in affiliated, non-consolidated companies	1.5	5.5	–4.0
Shares in companies valued at equity	23.0	24.1	–1.1
Financial investments before risk provision	**4,237.4**	**4,600.6**	–363.2
Risk provision	–11.7	–83.6	71.9
Total	**4,225.7**	**4,517.0**	–291.3

Shares in affiliated companies, like equity investments, are stated at acquisition cost. The sale of these assets is currently not intended.

Of the financial investments, the following are listed:

€m	31.12.2012	31.12.2011	Change
Bonds and other fixed-interest securities	3,680.5	4,143.1	−462.6
Shares and other non fixed-interest securities	0.5	0.1	0.4

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

€m	Equity investments	Shares in affiliated companies	Shares in companies valued at equity	Total
Historical cost				
As at 1 January 2011	31.9	6.0	138.0	175.9
Additions	0.3	–	–	0.3
Disposals	0.5	0.5	–	1.0
Change in scope of consolidation	–	0.4	–	0.4
As at 31 December 2011	31.7	5.9	138.0	175.6
Additions	3.8	–	–	3.8
Disposals	0.2	3.9	5.6	9.7
As at 31 December 2012	35.3	2.0	132.4	169.7
Cumulative amortisation/change in value				
As at 1 January 2011	–	–	113.6	113.9
Amortisation/impairment	–	–	1.2	1.2
Result from companies valued at equity			1.4	1.4
Reclassifications and other changes	–	–	0.5	0.5
Change in scope of consolidation	–	0.4	–	0.4
As at 31 December 2011	–	0.4	113.9	114.3
Amortisation/impairment	–	0.1	–	0.1
Result from companies valued at equity			−1.1	−1.1
Disposals	–	–	5.6	5.6
As at 31 December 2012	–	0.5	109.4	109.5
Book value as at 31 December 2011	**31.7**	**5.5**	**24.1**	**61.3**
Book value as at 31 December 2012	**35.3**	**1.5**	**23.0**	**59.8**

There are no officially listed market prices for companies valued at equity in the Group. The disposal of the companies valued at equity relates to Luxemburger Leben S.A., which was liquidated on 30 March 2012.

48 Intangible assets

€m	31.12.2012	31.12.2011	Change
Purchased goodwill	**53.1**	**53.1**	–
Software			
Purchased	42.3	41.2	1.1
Developed in-house	6.8	10.5	−3.7
Total software	**49.1**	**51.7**	−2.6
Other intangible assets	–	7.3	−7.3
Total	**102.2**	**112.1**	−9.9

The full amount of the goodwill shown relates to the holding in WestInvest Gesellschaft für Investmentfonds mbH. DekaBank's holding is 99.74% in total. The goodwill is allocated to the Asset Management Property division as a cash-generating unit.

On 31 December 2012, a scheduled impairment test was performed to assess the recoverability of the goodwill. The recoverable amount of the cash-generating unit was determined on the basis of the value in use. The capitalisation rate required for the income capitalisation approach used was derived using the Capital Asset Pricing Model (CAPM) methodology. The expected cash flows after tax were calculated for a five-year period using internal forecasts based on national economic data and specific competition and market analyses. Account was also taken of past empirical values, particularly with regard to material value drivers, namely the future development of assets under management and the proportional gross loan volume. An annuity in line with the forecast for 2017 was considered and a long-term growth rate of 1.0% (previous year: 1.0%) was assumed. The capitalisation rate amounted to 10.66% (previous year: 9.75%). The value in use established with this approach was higher than the book value of the cash-generating unit. As a result, no unscheduled amortisation was required.

The purchase price for the acquisition of the private client business of LBBW Luxemburg S.A. recognised in the previous year under other assets as well as the customer relationships acquired in connection with the acquisition of VM Bank International S.A. were fully written down as scheduled during the reporting year.

The following table shows the movement in intangible assets:

€m	Purchased goodwill	Software purchased	Software developed in-house	Other intangible assets	Total
Historical cost					
As at 1 January 2011	145.4	83.4	65.3	–	294.1
Additions	–	40.5	4.3	21.9	66.7
Disposals	–	1.3	–	–	1.3
Change in currency translation	–	0.2	–	–	0.2
Change in scope of consolidation	–	2.1	0.5	–	2.6
As at 31 December 2011	145.4	124.9	70.1	21.9	362.3
Additions	–	13.9	2.2	–	16.1
Disposals	–	9.7	0.9	–	10.6
As at 31 December 2012	145.4	129.1	71.4	21.9	367.8
Cumulative amortisation					
As at 1 January 2011	67.4	75.0	51.2	–	193.6
Unscheduled amortisation	24.9	–	–	–	24.9
Scheduled amortisation	–	9.7	8.4	14.6	32.7
Disposals	–	1.2	–	–	1.2
Change in currency translation	–	0.2	–	–	0.2
As at 31 December 2011	92.3	83.7	59.6	14.6	250.2
Unscheduled amortisation	–	0.2	–	–	0.2
Scheduled amortisation	–	12.3	5.9	7.3	25.5
Disposals	–	9.4	0.9	–	10.3
As at 31 December 2012	92.3	86.8	64.6	21.9	265.6
Book value as at 31 December 2011	**53.1**	**41.2**	**10.5**	**7.3**	**112.1**
Book value as at 31 December 2012	**53.1**	**42.3**	**6.8**	**–**	**102.2**

49 Property, plant and equipment

€m	31.12.2012	31.12.2011	Change
Land and buildings	13.7	14.2	–0.5
Plant and equipment	16.4	17.8	–1.4
Technical equipment and machines	2.2	3.6	–1.4
Total	**32.3**	**35.6**	–3.3

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

€m	Land and buildings	Plant and equipment	Technical equipment and machines	Total
Historical cost				
As at 1 January 2011	28.0	50.5	64.2	142.7
Additions	–	0.8	2.9	3.7
Disposals	–	3.4	6.0	9.4
Change in currency translation	–	0.2	0.1	0.3
Change in scope of consolidation	–	0.4	0.1	0.5
As at 31 December 2011	28.0	48.5	61.3	137.8
Additions	–	0.8	1.7	2.5
Disposals	–	0.6	3.2	3.8
As at 31 December 2012	28.0	48.7	59.8	136.5
Cumulative amortisation				
As at 1 January 2011	13.4	31.7	61.2	106.3
Scheduled amortisation	0.4	2.2	2.2	4.8
Disposals	–	3.4	5.8	9.2
Change in currency translation	–	0.2	0.1	0.3
As at 31 December 2011	13.8	30.7	57.7	102.2
Unscheduled amortisation	–	–	1.0	1.0
Scheduled amortisation	0.5	1.9	2.1	4.5
Disposals	–	0.3	3.2	3.5
As at 31 December 2012	14.3	32.3	57.6	104.2
Book value as at 31 December 2011	**14.2**	**17.8**	**3.6**	**35.6**
Book value as at 31 December2012	**13.7**	**16.4**	**2.2**	**32.3**

50 Income tax assets

€m	31.12.2012	31.12.2011	Change
Current income tax assets	90.8	211.3	–120.5
Deferred income tax assets	133.0	46.7	86.3
Total	**223.8**	**258.0**	–34.2

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

Tax loss carryforwards in the reporting year relate to two foreign business operations of the DekaBank Group. The deferred tax attributed to this amounts to €0.5m (previous year: €0.0m).

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

€m	31.12.2012	31.12.2011	Change
Asset items			
Due from banks	5.1	6.7	–1.6
Financial assets at fair value	28.7	9.9	18.8
Financial investments	8.4	16.8	–8.4
Shares in companies valued at equity	4.4	4.2	0.2
Intangible assets	2.1	–	2.1
Other assets	2.8	5.0	–2.2
Liabilities items			
Due to banks	15.1	10.3	4.8
Due to customers	83.2	58.9	24.3
Securitised liabilities	19.1	28.2	–9.1
Financial liabilities at fair value	778.7	705.0	73.7
Negative market values from derivative hedging instruments	89.9	147.1	–57.2
Provisions	32.4	21.7	10.7
Other liabilities	7.2	2.3	4.9
Subordinated capital	10.2	13.2	–3.0
Loss carryforwards	**0.5**	**–**	0.5
Sub-total	**1,087.8**	**1,029.3**	58.5
Netting	–954.8	–982.6	27.8
Total	**133.0**	**46.7**	86.3

The reported deferred tax assets include €72.5m (previous year: €27.0m) which are medium or long-term in nature. As at the reporting date, no deferred tax had been recognised at two foreign Group companies for tax loss carryforwards (total of loss carryforwards not taken into account: €12.5m, of which allocated tax amount not taken into account: €2.9m). In addition, for one other foreign Group company, there are temporary differences for which deferred tax assets have not been taken into account (amount of tax assets not taken into account: €0.5m).

The netting of deferred tax assets and liabilities refer mainly to short-term deferred taxes as a result of temporary differences relating to financial assets and liabilities at fair value.

Deferred income tax assets amounting to €3.3m (previous year: €10.6m) were offset against equity in connection with cash flow hedges.

51 Other assets

€m	31.12.2012	31.12.2011	Change
Amounts due from investment funds	112.0	86.8	25.2
Amounts due from non-banking business	4.2	7.5	–3.3
Amounts due or refunds from other taxes	0.9	2.1	–1.2
Other assets	138.9	154.8	–15.9
Prepaid expenses	24.6	27.6	–3.0
Total	**280.6**	**278.8**	1.8

Other assets include the overpaid profit shares of the atypical silent partners (including GLB GmbH & Co. OHG, which departed in the reporting year) from the application of the taxes already withheld by DekaBank for the benefit of the partners amounting to €18.6m (previous year: €19.6m).

Other assets include €2.9m (previous year: €32.7m) which are of a medium or long-term nature.

52 Due to banks

€m	31.12.2012	31.12.2011	Change
Domestic banks	19,890.5	22,203.6	–2,313.1
Foreign banks	17,800.0	10,666.5	7,133.5
Total	**37,690.5**	**32,870.1**	4,820.4

Amounts due to banks include payments received from genuine repurchase agreements and collateralised securities lending transactions amounting to €20.5bn (previous year: €9.2bn).

53 Due to customers

€m	31.12.2012	31.12.2011	Change
Domestic customers	18,016.7	18,728.6	–711.9
Foreign customers	5,317.0	5,688.5	–371.5
Total	**23,333.7**	**24,417.1**	–1,083.4

Amounts due to customers include payments received from genuine repurchase agreements and collateralised securities lending transactions amounting to €0.8bn (previous year: €0.5bn).

54 Securitised liabilities

The securitised liabilities include bonds and other liabilities, for which transferable certificates are issued. Under IAS 39, the own bonds held in the Group in the nominal amount of €1.9bn (previous year: €0.4bn) were deducted from the issued bonds.

€m	31.12.2012	31.12.2011	Change
Bonds issued	21,560.2	24,219.3	–2,659.1
Money market securities issued	5,816.0	1,058.3	4,757.7
Total	**27,376.2**	**25,277.6**	2,098.6

55 Financial liabilities at fair value

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

€m	31.12.2012	31.12.2011	Change
Held for trading			
Trading issues	2,509.8	1,795.3	714.5
Securities short portfolios	1,533.3	2,495.6	–962.3
Negative market values from derivative financial instruments (trading)	19,310.4	26,787.5	–7,477.1
Total – held for trading	**23,353.5**	**31,078.4**	–7,724.9
Designated at fair value			
Issues	8,329.5	10,040.3	–1,710.8
Negative market values from derivative financial instruments (economic hedges)	3,273.4	3,400.6	–127.2
Total – designated at fair value	**11,602.9**	**13,440.9**	–1,838.0
Total	**34,956.4**	**44,519.3**	–9,562.9

The fair value of issues in the designated at fair value category includes cumulative creditworthiness-related changes in value amounting to €95.6m (previous year: €47.2m).

The book value of liabilities allocated to the designated at fair value category is €429.2m higher than the repayment amount. In the previous year, the book value was €358.9m above the repayment amount.

56 Negative market values from derivative hedging instruments

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

€m	31.12.2012	31.12.2011	Change
Fair value hedges			
Asset items			
Due from banks			
Loans and receivables category	189.8	203.0	–13.2
Due from customers			
Loans and receivables category	171.8	191.8	–20.0
Financial investments			
Loans and receivables category	1.8	139.4	–137.6
Total fair value hedges	**363.4**	**534.2**	–170.8
Cash flow hedges			
Asset items	–	24.5	–24.5
Total	**363.4**	**558.7**	–195.3

The hedging instruments referred chiefly to interest rate swaps (fair value hedges) and currency forwards (cash flow hedges).

57 Provisions for pensions and similar commitments

The following table shows the movement in provisions:

€m	Opening balance 01.01.2012	Addition	Utilisations	Reclassi-fications	Change in plan assets	Closing balance 31.12.2012
Provisions for pensions	3.1	17.3	8.9	–	–9.2	2.3
Provisions for similar commitments	19.7	4.0	6.0	1.8	–0.3	19.2
Provisions for working hours accounts	–	0.7	0.2	–	–0.5	–
Total	**22.8**	**22.0**	**15.1**	**1.8**	**–10.0**	**21.5**

Capitalisation of €0.6m due to overfunding was taken into account under “Change in plan assets”.

€m	Opening balance 01.01.2011	Addition	Utilisations	Reclassi-fications	Change in plan assets	Change in scope of consolidation	Closing balance 31.12.2011
Provisions for pensions	1.7	18.8	9.4	–	–9.0	1.0	3.1
Provisions for similar commitments	16.3	2.2	5.2	6.4	–	–	19.7
Provisions for working hours accounts	–	0.7	0.2	–	–0.5	–	–
Total	**18.0**	**21.7**	**14.8**	**6.4**	**–9.5**	**1.0**	**22.8**

The item includes provisions for defined benefit obligations and is broken down as follows:

€m	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Unfunded defined benefit obligations	21.5	21.4	17.8	15.1	19.1
Fully or partially funded defined benefit obligations	439.5	322.6	312.1	264.8	233.9
Fair value of plan assets as at reporting date	–359.0	–322.9	–313.4	–292.8	–264.2
Total commitment	**102.0**	**21.1**	**16.5**	**–12.9**	**–11.2**
Actuarial net gains and losses not reported in the balance sheet	–81.1	1.7	1.5	28.1	35.1
Of which experience-based adjustments to the value of the pension commitments as at the reporting date	–1.9	–1.3	3.4	7.0	–1.5
Of which experience-based adjustments to the expected return on the plan assets as at the reporting date	11.1	–14.0	–0.5	9.2	–15.1
Capitalisation due to overfunding	0.6	–	–	–	–
Pension provisions recognised	**21.5**	**22.8**	**18.0**	**15.2**	**23.9**

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

€m	31.12.2012	31.12.2011	Change
Current service cost	14.8	16.4	–1.6
Interest expenses	15.9	15.3	0.6
Change – additional liability	1.0	1.0	–
Actuarial gains and losses	–	0.1	–0.1
Expected return on the plan assets	–14.4	–14.0	–0.4
Allocation to provisions for pensions	**17.3**	**18.8**	–1.5
Allocation to similar commitments	4.0	2.2	1.8
Allocation to working hours accounts	0.7	0.7	–
Total	**22.0**	**21.7**	0.3

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

%	31.12.2012	31.12.2011	Change
Discount rate to calculate present value	3.55	5.00	–1.45
Pension trend for adjustments according to Section 16 (2) Company Pension Funds Act (BetrAVG)[1)]	2.00	2.00	–
Pension adjustment with overall trend updating[1)]	2.50	2.50	–
Salary trend[1)]	2.50	2.50	–

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

For the forfeitable projected benefits, the staff turnover profiles published by Heubeck Richttafeln GmbH are also used in the calculation with a level parameter of 1.5. As in the previous year, the discount factor for similar commitments was 2.0%. This rate takes account of the shorter time to maturity compared to pension commitments as well as the rate of adjustment in early retirement and transitional payments not shown separately.

The actuarial interest rate for valuing pension commitments determined based on Bloomberg data for the first time (previous data provider: Markit) led to an overall reduction of €4.5m in defined benefit obligations as at 31 December 2012. As a result, the estimated interest expense for the 2013 financial year increased by €0.1m. An interest rate of 3.55% (previous year: 5.0%), which would have been lower by 0.05 percentage points without adjustment, was used as a basis.

The movement in defined benefit obligations is as follows:

€m	2012	2011	Change
Defined benefit obligations as at 1 January	**344.0**	**329.9**	14.1
Current service cost	14.8	16.4	–1.6
Interest expenses	15.9	15.3	0.6
Allocation to similar commitments	4.0	2.2	1.8
Allocation to working hours accounts	0.7	0.7	–
Change in additional liability from fund-based commitments	1.0	1.0	–
Change in commitments	95.7	–6.4	102.1
Other changes	–	–0.3	0.3
Utilisation	–15.1	–14.8	–0.3
Defined benefit obligations as at 31 December	**461.0**	**344.0**	117.0

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

€m	31.12.2012	Expected yield 2012	31.12.2011	Expected yield 2011
Mutual funds	85.1	5.65%	67.3	5.50%
Special funds	272.2	3.25%	253.8	3.25%
Other assets	1.7	–7.80%	1.8	–7.70%
Total	**359.0**		**322.9**	

Long-term yields in the capital market or observable past capital market developments in the individual asset classes are used to determine the expected performance of the plan assets.

The units in mutual funds are used to fund fund-based commitments and working hours accounts. Funds were invested in a special fund for commitments under final salary plans and general contribution schemes, the investment strategy of which is based on an integrated asset liability assessment. Other assets relate mainly to term life assurance policies. The premium balance with the insurer will be used up over the remaining term of the current insurance contracts. This therefore produces a negative expected yield.

Movement in plan assets:

€m	2012	2011	Change
Fair value of plan assets as at 1 January	**322.9**	**313.4**	9.5
Allocation to plan assets			
Through employer contributions	5.3	4.7	0.6
Through employee contributions	5.5	6.7	–1.2
Return on plan assets			
Expected return on plan assets	14.4	14.0	0.4
Actuarial gains and losses	11.1	–14.0	25.1
Withdrawal for benefits	–0.2	–1.9	1.7
Fair value of plan assets as at 31 December	**359.0**	**322.9**	36.1

58 Other provisions

€m	31.12.2012	31.12.2011	Change
Provisions for credit risks	6.0	8.6	–2.6
Provisions for legal proceedings and recourses	1.5	2.3	–0.8
Provisions in human resources	2.3	1.3	1.0
Provisions for restructuring measures	8.7	9.4	–0.7
Sundry other provisions	168.6	169.0	–0.4
Total	**187.1**	**190.6**	–3.5

Other provisions include €34.7m (previous year: €32.5m) which are medium or long-term in nature.

Amongst other things, the DekaBank Group's range of products includes investment funds with market value guarantees of varying degrees. For fixed-term funds with agreed maturity, the capital invested less charges is guaranteed as at the maturity date, while a minimum unit value is agreed for specific cut-off dates for funds without a fixed term. The amount of the provision is determined from the forecast shortage at the guarantee date, which yields a difference between the expected and guaranteed unit value. On the balance sheet date €1.1m (previous year: €1.5m) was set aside based on the development of the respective fund assets. As at the reporting date, the guarantees covered a maximum volume of €5.9bn (previous year: €6.0bn) at the respective guarantee dates. The market value of the corresponding fund assets totalled €6.1bn (previous year: €6.1bn).

In addition, the product range includes investment funds, whose return is forecast on the basis of current money market interest rates set by the Group. However, this does not constitute a guarantee or assurance that the forecast performance will actually be achieved. Although the DekaBank Group is not contractually obliged to support these funds, the Group retains the right to support the desired performance of the fund. The level of the provision is determined using possible loss scenarios taking account of the risks related to liquidity, interest rate structure, duration and spreads. As at the reporting date, €77.2m (previous year: €79.3m) was set aside. The underlying total value of the funds amounted to €6.2bn (previous year: €5.9bn).

The movement in other provisions is as follows:

€m	Opening balance 01.01.2012	Addition	Utilisation	Reversal	Reclassi-fications	Change in scope of consoli-dation	Currency effects	Closing balance 31.12.2012
Provisions for credit risks	8.6	2.6	0.1	5.0	–	–	–0.1	6.0
Provisions for legal proceedings and recourses	2.3	0.2	0.2	0.5	–0.3	–	–	1.5
Provisions in human resources	1.3	1.6	0.5	0.1	–	–	–	2.3
Provisions for restructuring measures	9.4	4.4	3.0	0.6	–1.5	–	–	8.7
Sundry other provisions	169.0	27.9	18.3	10.0	–	–	–	168.6
Other provisions	**190.6**	**36.7**	**22.1**	**16.2**	**–1.8**	**–**	**–0.1**	**187.1**

€m	Opening balance 01.01.2011	Addition	Utilisation	Reversal	Reclassi-fications	Change in scope of consoli-dation	Currency effects	Closing balance 31.12.2011
Provisions for credit risks	16.3	2.1	–	9.7	–	–	–0.1	8.6
Provisions for legal proceedings and recourses	3.2	–	0.2	0.8	0.1	–	–	2.3
Provisions in human resources	0.4	0.5	0.5	–	–	0.9	–	1.3
Provisions for restructuring measures	17.4	1.5	6.1	0.7	–5.3	2.6	–	9.4
Sundry other provisions	189.6	26.8	27.3	20.9	–1.1	1.9	–	169.0
Other provisions	**226.9**	**30.9**	**34.1**	**32.1**	**–6.3**	**5.4**	**–0.1**	**190.6**

Depending on their original nature, some of the provisions for restructuring measures are reclassified as provisions for pensions and similar commitments in the subsequent year.

59 Income tax liabilities

€m	31.12.2012	31.12.2011	Change
Provisions for income taxes	22.7	57.3	–34.6
Current income tax liabilities	40.9	206.1	–165.2
Deferred income tax liabilities	26.4	18.5	7.9
Total	**90.0**	**281.9**	–191.9

The provisions for income taxes relate to corporation tax, solidarity surcharge and trade tax. The provisions for income taxes include €22.7m (previous year: €23.5m) which are medium or long-term in nature.

Current income tax liabilities include payments due but not yet paid as at the reporting date for income taxes from the reporting year and earlier periods. The deferred income tax liabilities represent the potential income tax charges from temporary differences between the values of assets and liabilities in the IFRS balance sheet and the tax balance sheet.

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

€m	31.12.2012	31.12.2011	Change
Asset items			
Due from banks	48.5	52.3	–3.8
Due from customers	13.1	25.4	–12.3
Financial assets at fair value	738.0	731.6	6.4
Positive market values from derivative hedging instruments	120.2	122.8	–2.6
Financial investments	56.5	61.5	–5.0
Intangible assets	–	5.0	–5.0
Property, plant and equipment	0.9	1.0	–0.1
Liabilities items			
Provisions	2.7	0.6	2.1
Other liabilities	1.3	0.9	0.4
Sub-total	**981.2**	**1.001.1**	–19.9
Netting	–954.8	–982.6	27.8
Total	**26.4**	**18.5**	7.9

The deferred tax liabilities include €10.9m (previous year: €9.6m) which are medium or long-term in nature.

The netting of deferred tax assets and liabilities refer mainly to short-term deferred taxes as a result of temporary differences relating to financial assets and liabilities at fair value.

Deferred income tax liabilities, which are offset directly against equity as a result of the revaluation of bonds and other securities in the available for sale portfolio, amounted to €0.3m (previous year: €0.4m) as at the reporting date. As in the previous year, these are allocated to the financial investments item.

60 Other liabilities

The breakdown of other liabilities is as follows:

€m	31.12.2012	31.12.2011	Change
Liabilities			
Debt capital from minority interests	165.6	102.2	63.4
Commissions not yet paid to sales offices	68.1	58.6	9.5
Liabilities from current other taxes	32.1	23.6	8.5
Securities spot deals not yet settled	5.7	3.2	2.5
Liabilities from non-banking business	1.1	0.3	0.8
Other	64.9	88.3	–23.4
Accruals			
Sales performance compensation	269.6	289.5	–19.9
Personnel costs	102.3	82.0	20.3
Closing and other audit costs	5.6	5.0	0.6
Other accruals	55.6	58.2	–2.6
Prepaid income	13.9	13.7	0.2
Total	**784.5**	**724.6**	59.9

The debt capital from the minority interests item essentially includes the minority interests in consolidated investment funds. This is shown as other liabilities, since the unit holders have a redemption right at any time.

The item other includes trade accounts payable of €45.4m (previous year: €51.5m) and liabilities to custodial account holders of €2.4m (previous year: €5.1m).

Other liabilities include €9.3m (previous year: €12.3m) which are of a medium or long-term nature.

61 Subordinated capital

€m	31.12.2012	31.12.2011	Change
Subordinated bearer bonds	625.6	634.0	–8.4
Subordinated promissory note loans	121.4	207.3	–85.9
Prorated interest on subordinated liabilities	18.7	22.1	–3.4
Profit participation capital	20.0	78.0	–58.0
Prorated interest on profit	1.3	5.0	–3.7
Capital contributions of typical silent partners	500.0	500.0	–
Prorated interest on capital contributions of typical silent partners	27.8	35.9	–8.1
Total	**1,314.8**	**1,482.3**	–167.5

The decrease as compared with 31 December 2011 was primarily due to subordinated liabilities and profit participation rights which reached final maturity.

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

According to the provisions of Section 10 (5) of the German Banking Act (KWG), profit participation capital forms part of the liable capital. The claims of holders of the profit participation rights to repayment of the capital are subordinate to those of other creditors. Interest payments are only made if an accumulated profit is achieved, while losses assumed are allocated in full pro rata of the share applicable to the profit participation capital.

In detail, the issues are as follows:

Year of issue	Nominal amount €m	Eligible as liable capital €m	Interest rate in % p.a.	Maturity
Subordinated capital				
2002	300.0	121.1	5.38	31.01.2014
2004	300.0	298.8	4.63	21.12.2015
2006	40.0	40.0	4.43	11.04.2016
2009	75.0	75.0	6.00	05.07.2019
Profit participation capital				
2002	20.0	–	6.46	31.12.2013

In 2002, typical silent capital contributions (tranche II) with a nominal amount of €500.0m were accepted for an indefinite period of time (so-called "perpetuals"). DekaBank may only terminate these contributions with the consent of the Federal Financial Supervisory Authority (BaFin) and a notice period of 24 months to the end of a financial year. Termination by the silent partners is excluded. Interest expenses for perpetuals amounted to €27.8m (previous year: €35.9m) and are reported in net interest income (Note [31]).

62 Atypical silent capital contributions

Atypical silent capital contributions amounted to €52.4m (previous year: €52.4m). The distribution on atypical silent capital contributions in the reporting year stood at €49.2m (previous year: €56.5m).

63 Equity

€m	31.12.2012	31.12.2011	Change
Subscribed capital	286.3	286.3	–
Less own shares	94.6	94.6	–
Capital reserve	190.3	190.3	–
Reserves from retained earnings			
Statutory reserve	13.2	13.2	–
Reserves required by the Bank's statutes	51.3	51.3	–
Other reserves from retained earnings	3,061.1	2,834.9	226.2
Total reserves from retained earnings	**3,125.6**	**2,899.4**	226.2
Revaluation reserve			
For cash flow hedges	–10.2	–33.1	22.9
For financial investments in the available for sale category	1.2	1.3	–0.1
Applicable deferred taxes	3.0	10.2	–7.2
Total revaluation reserve	**–6.0**	**–21.6**	15.6
Currency translation reserve	13.2	12.9	0.3
Consolidated profit/loss	58.7	67.5	–8.8
Minority interests	–	–	–
Total	**3,573.5**	**3,340.2**	233.3

In the 2012 financial year, a positive valuation result from existing cash flow hedges totalling €4.0m (previous year: –€11.8m) was recorded in the revaluation reserve. At the same time, profit or loss on completed hedging transactions in the amount of €18.9m (previous year: €–0.1m) was reclassified as profit or loss on financial instruments from the revaluation reserve into the designated at fair value category. Margins from fixed-interest loans, converted in the amount of €9.9m (previous year: €13.5m) on the basis of unscheduled repayments and syndications, are not entered into if they were originally hedged. The margin hedge was modified accordingly. Reclassification due to ineffectiveness did not take place in the reporting year.

The hedged cash flows are expected in the following subsequent reporting periods and are scheduled to be recognised in income in those respective periods:

€m	31.12.2012	31.12.2011	Change
Expected cash flows from assets			
Up to 3 months	29.3	33.4	–4.1
3 months to 1 year	80.5	83.7	–3.2
1 year to 5 years	254.2	247.5	6.7
More than 5 years	88.6	96.5	–7.9
Total expected cash flows	**452.6**	**461.1**	–8.5

Notes to financial instruments

64 Book values by valuation category

At DekaBank, financial instruments are classified by balance sheet line item and IFRS categories in accordance with IFRS 7:

€m	31.12.2012	31.12.2011	Change
Asset items			
Loans and receivables			
Due from banks	32,335.6	39,596.7	–7,261.1
Due from customers	30,624.3	31,603.0	–978.7
Financial investments	1,021.2	1,217.9	–196.7
Held to maturity			
Financial investments	3,099.5	3,185.6	–86.1
Available for sale			
Financial investments	105.0	113.5	–8.5
Held for trading			
Financial assets at fair value	38,427.5	39,613.0	–1,185.5
Designated at fair value			
Financial assets at fair value	19,673.1	16,927.1	2,746.0
Positive market values from derivative hedging instruments	431.2	428.1	3.1
Total asset items	**125,717.4**	**132,684.9**	–6,967.5
Liability items			
Other Liabilities			
Due to banks	37,690.5	32,870.1	4,820.4
Due to customers	23,333.7	24,417.1	–1,083.4
Securitised liabilities	27,376.2	25,277.6	2,098.6
Subordinated capital	1,314.8	1,482.3	–167.5
Held for trading			
Financial liabilities at fair value	23,353.5	31,078.4	–7,724.9
Designated at fair value			
Financial liabilities at fair value	11,602.9	13,440.9	–1,838.0
Negative market values from derivative hedging instruments	363.4	558.7	–195.3
Total liability items	**125,035.0**	**129,125.1**	–4,090.1

65 Net income by valuation category

The individual valuation categories produce the following income contributions:

€m	2012	2011	Change
Held to maturity	109.1	43.6	65.5
Loans and receivables	1,091.8	1,402.2	–310.4
Other liabilities	–1,060.7	–1,338.0	277.3
Income not recognised in profit or loss	–0.1	–1.0	0.9
Income recognised in profit or loss	5.6	4.9	0.7
Available for sale	5.5	3.9	1.6
Held for trading	348.5	398.0	–49.5
Designated at fair value	–23.2	–185.7	162.5
Valuation result from hedge accounting for fair value hedges	11.5	–1.4	12.9
Result from hedge accounting for cash flow hedges not recognised in profit or loss	–22.9	–11.9	–11.0

The income is presented in line with its allocation to valuation categories in accordance with IAS 39. All income components, i.e. both sales and valuation results as well as interest and current income are included. Net interest income from hedging derivatives is reported in the held for trading category, while the income from the underlying transactions is allocated to loans and receivables or other liabilities in line with the respective origin category.

In connection with the amendments to IAS 39 published in October 2008, the DekaBank Group reclassified securities out of the held for trading and available for sale categories into the loans and receivables category. The financial instruments in the held for trading category reclassified as at 31 December 2008 and which were still reported with a book value/fair value of €9.9m in the previous year, were derecognised in 2012 as they had been fully repaid. No further reclassifications were carried out during the reporting year.

66 Fair value data

Fair value is deemed to be the amount at which a financial instrument can be freely traded between knowledgeable and willing parties in an arm's length transaction. The following table shows the fair values of financial assets and liabilities compared to the respective book values.

	31.12.2012			31.12.2011		
€m	**Fair value**	**Book value**	**Difference**	**Fair value**	**Book value**	**Difference**
Asset items						
Cash reserve	3,387.7	3,387.7	–	368.2	368.2	–
Due from banks (loans and receivables)	32,979.2	32,335.6	643.6	40,109.1	39,596.7	512.4
Due from customers (loans and receivables)	31,005.3	30,624.3	381.0	31,836.2	31,603.0	233.2
Financial assets at fair value	58,100.6	58,100.6	–	56,540.1	56,540.1	–
Positive market values from derivative hedging instruments	431.2	431.2	–	428.1	428.1	–
Loans and receivables	961.6	1,021.2	–59.6	1,141.2	1,217.9	–76.7
Held to maturity	3,296.6	3,099.6	197.0	3,124.0	3,185.6	–61.6
Available for sale	104.9	104.9	–	113.5	113.5	–
Financial investments	4,363.1	4,225.7	137.4	4,378.7	4,517.0	–138.3
Total asset items	**130,267.1**	**129,105.1**	**1,162.0**	**133,660.4**	**133,053.1**	**607.3**
Liability items						
Due to banks	38,007.4	37,690.5	316.9	33,109.4	32,870.1	239.3
Due to customers	23,982.5	23,333.7	648.8	25,023.7	24,417.1	606.6
Securitised liabilities	27,419.3	27,376.2	43.1	25,220.3	25,277.6	–57.3
Financial liabilities at fair value	34,956.4	34,956.4	–	44,519.3	44,519.3	–
Negative market values from derivative hedging instruments	363.4	363.4	–	558.7	558.7	–
Subordinated liabilities	1,330.2	1,314.8	15.4	1,485.3	1,482.3	3.0
Total liability items	**126,059.2**	**125,035.0**	**1,024.2**	**129,916.7**	**129,125.1**	**791.6**

For financial instruments due on demand, the fair value corresponds to the respective amount payable as at the reporting date. These include cash on hand and overdraft facilities and sight deposits with regard to banks and customers.

The fair values of amounts due from banks or customers are determined using the present value method. The future cash flows from receivables are discounted at a risk-adjusted market rate. The differing credit ratings of borrowers are taken into account through appropriate adjustments in the discount rates. This procedure also applies to securities held as loans and receivables. The fair value determined on the basis of financial valuation models can be considerably affected by the underlying assumptions. The fair value is therefore to be seen as the model value as at the reporting date, which could not necessarily be realised through the direct sale or settlement of the financial instrument.

Financial instruments in the held to maturity category are fixed-interest securities for which there is a liquid market. The fair values here correspond to the market prices.

The fair value of long-term liabilities is determined on the basis of market prices as well as by discounting the contractually agreed cash flows. The interest rates used are those at which the Group could issue comparable debt securities on the reporting date.

Fair value hierarchy

Financial instruments carried at fair value in the balance sheet are to be allocated to the following three fair value hierarchy levels specified in IFRS 7, depending on the input factors influencing their valuation:

Level 1 (prices quoted on active markets): Financial instruments whose fair value can be derived directly from quoted prices on active liquid markets are allocated to this level.

Level 2 (valuation method based on observable market data): Financial instruments whose fair value can be determined either from similar financial instruments traded on active and liquid markets or based on valuation methods with observable input factors are allocated to this level.

Level 3 (valuation method not based on observable market data): Financial instruments whose fair value cannot be determined based on input factors observable in the market are allocated to this level. For financial instruments at this level, it is necessary to evaluate the assumptions and estimates provided by management.

The following table shows the book value (including accrued interest) of the financial instruments carried at fair value, allocated to the respective fair value hierarchy level:

	31.12.2012				31.12.2011			
€m	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Derivative financial instruments	1,063.6	18,294.2	71.2	19,429.0	420.4	23,317.6	57.6	23,795.6
Bonds and other fixed-interest securities	22,481.2	10,405.6	2,031.3	34,918.1	16,536.8	9,932.6	2,267.1	28,736.5
Shares and other non fixed-interest securities	1,061.4	643.0	–	1,704.4	1,827.3	157.0	–	1,984.3
Other financial assets at fair value	–	2,525.5	–	2,525.5	–	2,504.0	–	2,504.0
Liabilities								
Derivative financial instruments	690.9	24,951.9	46.2	25,689.0	219.9	32,859.6	39.6	33,119.1
Other financial instruments	3,071.7	6,559.1	–	9,630.8	4,068.7	7,890.2	–	11,958.9

Structured financial instruments with embedded derivatives that have to be separated, which are allocated to the trading book or for which the fair value option has been exercised, are shown in the table under derivative financial instruments.

Provided that they are not products traded on the stock market, derivatives are in principle measured using standard valuation models based on observable market data. Furthermore, in some individual cases and under restrictive conditions, derivatives traded on the stock market have also been measured using standard, accepted valuation models. This case-by-case regulation applies to special EUREX options where the published price is not based on sales or actual trading volume, but on the valuation using a theoretical EUREX model.

Fair values for insufficiently liquid securities as well as interest rate swaps and interest rate/currency swap agreements as well as unlisted interest rate futures are determined on the basis of discounted future cash flows (the discounted cash flow model). The market interest rates applying to the remaining term of the financial instruments are always used. The transactions valued using this method are allocated to level 2.

Since the end of 2008, the modified discounted cash flow method has been used as a result of irrational market behaviour for non-synthetic securitisation transactions. As part of the model review, the conditions for using the model were particularly checked at regular intervals. Taking into account developments in the market, in 2012 DekaBank reached the conclusion that this was no longer current. In the reporting year, DekaBank therefore converted the valuation of non-synthetic securitisation transactions to broker quotes. The transactions valued using this method, amounting to €2.0bn (previous year: €2.3bn), continue to be allocated to level 3.

The fair value of synthetic securitisation transactions is determined using a Copula model calibrated to the market prices of index tranches. These are also shown in level 3. When valuing the bespoke CSO positions, DekaBank uses one of the standard base correlation mapping procedures. The valuation uncertainty resulting from the model was determined using external prices for the tranches held by DekaBank and amounts to €5.6m. The valuation as at 31 December 2012 was carried out taking the resultant discount into consideration. Accordingly, the market value of the bespoke CSOs could have been €5.6m higher.

As in the previous year, there were no significant transfers of financial instruments between level 1 and level 2 of the fair value hierarchy in 2012.

Disclosures relating to financial instruments in fair value hierarchy level 3

The movement in financial instruments in level 3 is shown in the table below. This is based on fair values (excluding accrued interest).

€m	Opening balance 01.01.2012	Migration additions to level 3	Reclassifi-cations out of level 3	Dispo-sals	Maturity/ repayment	Valuation result	Closing balance 31.12.2012
Assets							
Derivative financial instruments	57.3	–	0.3	0.4	–	14.5	71.1
Other financial instruments	2,258.2	–	–	111.9	165.2	47.3	2,028.4
Total assets	**2,315.5**	**–**	**0.3**	**112.3**	**165.2**	**61.8**	**2,099.5**
Liabilities							
Derivative financial instruments	39.3	0.4	–	0.9	–	–6.4	45.2

€m	Opening balance 01.01.2011	Reclassifi-cations out of level 3	Pur-chase	Disposals	Maturity/ repayment	Valuation result	Closing balance 31.12.2011
Assets							
Derivative financial instruments	58.6	–	0.1	–	–	–1.4	57.3
Other financial instruments	2,481.1	–	–	40.7	188.6	6.4	2,258.2
Total assets	**2,539.7**	**–**	**0.1**	**40.7**	**188.6**	**5.0**	**2,315.5**
Liabilities							
Derivative financial instruments	38.4	–	–	1.0	–	–1.9	39.3

As at the reporting date, a valuation result of €–5.8m (previous year: €–3.0m) was attributable to the level 3 financial instruments in the portfolio, which are allocated to the held for trading sub-category; this was reported in trading profit or loss. The valuation result for the financial instruments in the designated at fair value sub-category and the level 3 derivative financial instruments in the banking book amounted to €51.2m (previous year: €–6.3m) and is reported in profit or loss on financial instruments designated at fair value. The valuation result also includes reversals of premiums and discounts amounting to €9.9m (previous year: €12.4m), which is reported in net interest income.

A profit of €19.7m (previous year: €20.6m) was realised on the sale of non-derivative financial instruments, of which €2.4m (previous year: €1.6m) was reported under net interest income and €17.3m (previous year: €19.0m) under profit or loss on financial instruments designated at fair value.

67 Government-based credit exposure in individual eurozone countries

The following table shows the exposure in selected European states from an accounting point of view. In addition to receivables and securities, this comprises credit linked notes issued by the Bank that are referenced to these states as well as credit default swaps from both the protection buyer and protection seller perspectives:

	31.12.2012			31.12.2011		
€m	Nominal[1]	Book value	Fair Value	Nominal[1]	Book value	Fair Value
Greece						
Debt securities (held to maturity category)	–	–	–	50.0	13.6	13.6
Debt securities (designated at fair value category)	–	–	–	50.0	12.7	12.7
Credit default swaps[2]	–	–	–	13.0	–7.4	–7.4
Credit linked notes[3] (held for trading category)	–	–	–	–13.0	–7.5	–7.5
Ireland						
Credit default swaps[2]	3.0	0.0	0.0	3.0	–0.5	–0.5
Credit linked notes[3] (held for trading category)	–3.0	–3.2	–3.2	–3.0	–2.6	–2.6
Italy						
Debt securities (designated at fair value category)	–	–	–	50.0	44.2	44.2
Debt securities (held for trading category)	149.0	147.7	147.7	165.0	163.5	163.5
Debt securities short (held for trading category)	–	–	–	–4.1	–3.9	–3.9
Credit default swaps[2]	25.0	–2.0	–2.0	45.0	–4.1	–4.1
Credit linked notes[3] (held for trading category)	–30.0	–17.7	–17.7	–40.0	–34.7	–34.7
Portugal						
Debt securities (designated at fair value category)	–	–	–	55.0	43.9	43.9
Credit default swaps[2]	–	–	–	9.6	–2.4	–2.4
Credit linked notes[3] (held for trading category)	–	–	–	–10.0	–6.2	–6.2
Spain						
Receivables (loans and receivables category)	34.6	34.6	34.3	90.2	90.9	89.9
Debt securities (designated at fair value category)	–	–	–	40.0	37.7	37.7
Credit default swaps[2]	27.9	–1.0	–1.0	54.1	–3.6	–3.6
Credit linked notes[3] (held for trading category)	–30.0	–9.2	–9.2	–35.0	–33.6	–33.6
Hungary						
Debt securities (designated at fair value category)	–	–	–	50.0	43.1	43.1
Total	**176.5**	**149.2**	**148.9**	**569.8**	**343.1**	**342.1**

[1] For a net view, the nominal values of receivables, securities and protection seller transactions are set off against protection buyer transactions with negative nominal values.
[2] The fair value reflects the net fair value of credit default swaps that relate to sovereign liabilities of the respective country.
[3] The figure shown is the fair value of credit linked notes issued by the Bank and relating to a liability of the respective country.

During the reporting year, direct exposure to Greece and Portugal was reduced. Receivables related to Greek borrowers still consist of project financing for infrastructure restructuring amounting to €38.2m, of which €21.1m is subject to a valuation allowance. In the event of default, a direct receivable is due from Greece. In addition, the Bank holds bonds from Portuguese credit institutions with a nominal value of €46.7m allocated to the held to maturity category. Valuation allowances totalling €9.0m have been recognised for these bonds.

In addition to exposure to the government of Spain, the Bank also has exposure to Spanish municipal authorities and the Spanish banking sector, amongst others. There are receivables from Spanish municipal authorities with a nominal value of €74.6m (previous year: €119.9m). Receivables from Spanish banks primarily consist of bonds with a nominal value of €122.2m (previous year: €268.3m), including a bond in the held to maturity category with a nominal value of €25.0m (previous year: €25.0m) as well as a loan with a nominal value of €250.0m (previous year: €281.8m) allocated to the loans and receivables category. There are also receivables from repurchase agreements and securities lending transactions amounting to €98.1m (previous year: €98.1m) predominantly hedged with securities from Spanish issuers.

68 Derivative transactions

The DekaBank Group uses derivative financial instruments for trading purposes and to hedge interest rate risks, currency risks and other price risks.

The following table shows the portfolio of derivative financial instruments by contract type:

Positive fair values	**Maturity**				**Total**	
€m	**Up to 3 months**	**Between 3 months and 1 year**	**Between 1 year and 5 years**	**More than 5 years**	**2012**	**2011**
Interest rate risks OTC products						
Interest rate swaps	281.6	639.8	3,728.0	5,964.9	10,614.3	11,124.7
Forward rate agreements	0.5	0.1	–	–	0.6	6.3
Interest rate options						
Purchases	–	13.4	9.4	–	22.8	4.0
Sales	–	0.7	1.3	2.7	4.7	1.3
Caps, floors	–	–	13.2	1.3	14.5	11.0
Other interest rate contracts	–	0.1	25.1	–	25.2	110.3
Stock exchange traded products						
Interest rate futures/options[1]	0.8	0.2	–	–	1.0	2.1
Sub-total	**282.9**	**654.3**	**3,777.0**	**5,968.9**	**10,683.1**	**11,259.7**
Currency risks OTC products						
Foreign exchange future contracts	12.3	96.2	–	–	108.5	128.3
(Interest rate) currency swaps	69.2	37.4	156.7	32.9	296.2	329.2
Sub-total	**81.5**	**133.6**	**156.7**	**32.9**	**404.7**	**457.5**
Share and other price risks OTC products						
Share forward contracts	11.8	24.4	–	–	36.2	12.4
Share options						
Purchases	246.9	493.4	2,272.3	113.7	3,126.3	4,310.7
Credit derivatives	0.1	19.6	89.2	17.7	126.6	295.5
Other forward contracts	0.8	–	–	–	0.8	14.9
Stock exchange traded products						
Share options	478.1	1,449.5	1,717.4	65.0	3,710.0	6,181.7
Share futures[1]	2.9	0.1	–	–	3.0	56.8
Sub-total	**740.6**	**1,987.0**	**4,078.9**	**196.4**	**7,002.9**	**10,872.0**
Total	**1,105.0**	**2,774.9**	**8,012.6**	**6,198.2**	**18,090.7**	**22,589.2**

[1] Positive fair values before offsetting against variation margin paid or received.

Negative fair values	Maturity				Total	
€m	Up to 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	2012	2011
Interest rate risks						
OTC products						
Interest rate swaps	319.9	593.1	3,941.7	4,848.5	9,703.2	11,075.4
Forward rate agreements	0.7	0.3	–	–	1.0	2.2
Interest rate options						
Purchases	–	0.6	–	–	0.6	1.2
Sales	4.3	19.9	24.4	18.4	67.0	49.2
Caps, floors	–	–	8.0	0.3	8.3	6.7
Other interest rate contracts	10.7	49.2	182.2	8.1	250.2	238.2
Stock exchange traded products						
Interest rate futures/options [1]	2.2	0.6	1.5	–	4.3	7.4
Sub-total	**337.8**	**663.7**	**4,157.8**	**4,875.3**	**10,034.6**	**11,380.3**
Currency risks						
OTC products						
Foreign exchange future contracts	37.6	96.4	–	–	134.0	134.2
(Interest rate) currency swaps	8.9	80.7	263.2	392.5	745.3	1,046.5
Sub-total	**46.5**	**177.1**	**263.2**	**392.5**	**879.3**	**1,180.7**
Share and other price risks						
OTC products						
Share forward contracts	1.3	9.5	–	–	10.8	16.2
Share options						
Purchases	360.0	728.4	2,987.6	145.3	4,221.3	6,914.2
Credit derivatives	0.2	19.9	76.4	19.1	115.6	247.9
Other forward contracts	5.2	86.6	1.7	–	93.5	86.1
Stock exchange traded products						
Share options	816.6	3,322.1	3,388.8	68.9	7,596.4	10,928.8
Share futures [1]	6.1	1.1	–	–	7.2	21.3
Sub-total	**1,189.4**	**4,167.6**	**6,454.5**	**233.3**	**12,044.8**	**18,214.5**
Total	**1,573.7**	**5,008.4**	**10,875.5**	**5,501.1**	**22,958.7**	**30,775.5**

[1] Negative fair values before offsetting against variation margin paid or received.

The following table shows the positive and negative market values from derivative transactions by counterparty:

	Positive fair values		Negative fair values	
€m	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Banks in the OECD	9,721.3	10,737.0	9,808.5	11,843.1
Public offices in the OECD	427.1	129.6	137.4	32.9
Other counterparties	7,942.3	11,722.6	13,012.8	18,899.5
Total	**18,090.7**	**22,589.2**	**22,958.7**	**30,775.5**

69 Breakdown by remaining maturity

Remaining maturity is seen as the time between the reporting date and the contractually agreed maturity of the receivable or liability or their partial payment amount. Financial assets and liabilities at fair value were in principle recognised according to contractual maturity, however financial instruments in the held for trading sub-category were recognised as having a maximum maturity of one year due to the intention to trade. Equity instruments were allocated to the "due on demand and indefinite term" maturity range. Financial investments that serve business operations as part of ordinary business activity but do not have a contractually agreed maturity are not included in this breakdown.

€m	31.12.2012	31.12.2011	Change
Assets			
Due from banks			
Due on demand and indefinite term	6,193.9	7,914.2	–1,720.3
Up to 3 months	5,882.6	9,726.0	–3,843.4
Between 3 months and 1 year	5,559.1	4,574.4	984.7
Between 1 year and 5 years	13,343.8	15,520.4	–2,176.6
More than 5 years	1,356.2	1,861.7	–505.5
Due from customers			
Due on demand and indefinite term	2,457.2	2,998.1	–540.9
Up to 3 months	4,316.9	4,043.0	273.9
Between 3 months and 1 year	7,251.0	7,379.5	–128.5
Between 1 year and 5 years	11,540.5	11,198.1	342.4
More than 5 years	5,058.7	5,984.3	–925.6
Financial assets at fair value			
Due on demand and indefinite term	1,735.9	2,006.7	–270.8
Up to 3 months	7,450.3	6,988.5	461.8
Between 3 months and 1 year	32,620.2	33,299.7	–679.5
Between 1 year and 5 years	13,557.1	11,742.5	1,814.6
More than 5 years	2,737.1	2,502.7	234.4
Positive market values from derivative hedging instruments			
Up to 3 months	16.9	3.6	13.3
Between 3 months and 1 year	60.6	0.2	60.4
Between 1 year and 5 years	51.0	198.9	–147.9
More than 5 years	302.7	225.4	77.3
Financial investments			
Due on demand and indefinite term	0.6	0.3	0.3
Up to 3 months	71.6	99.6	–28.0
Between 3 months and 1 year	141.3	89.3	52.0
Between 1 year and 5 years	1,983.1	1,518.9	464.2
More than 5 years	1,969.3	2,747.6	–778.3

€m	31.12.2012	31.12.2011	Change
Liabilities			
Due to banks			
Due on demand and indefinite term	3,542.2	4,028.8	–486.6
Up to 3 months	27,250.4	20,244.5	7,005.9
Between 3 months and 1 year	3,225.3	3,700.6	–475.3
Between 1 year and 5 years	2,352.2	3,725.5	–1,373.3
More than 5 years	1,320.4	1,170.7	149.7
Due to customers			
Due on demand and indefinite term	6,825.3	6,764.1	61.2
Up to 3 months	6,928.1	6,573.9	354.2
Between 3 months and 1 year	3,082.7	2,849.4	233.3
Between 1 year and 5 years	4,041.2	5,569.4	–1,528.2
More than 5 years	2,456.4	2,660.3	–203.9
Securitised liabilities			
Up to 3 months	6,532.8	1,227.2	5,305.6
Between 3 months and 1 year	3,297.3	1,688.3	1,609.0
Between 1 year and 5 years	16,823.4	21,869.0	–5,045.6
More than 5 years	722.7	493.1	229.6
Financial liabilities at fair value			
Due on demand and indefinite term	1,437.2	2,507.8	–1,070.6
Up to 3 months	5,151.7	6,812.7	–1,661.0
Between 3 months and 1 year	23,018.8	26,973.7	–3,954.9
Between 1 year and 5 years	3,306.0	6,040.3	–2,734.3
More than 5 years	2,042.7	2,184.8	–142.1
Negative market values from derivative hedging instruments			
Up to 3 months	27.5	41.6	–14.1
Between 3 months and 1 year	14.0	20.2	–6.2
Between 1 year and 5 years	228.4	232.6	–4.2
More than 5 years	93.5	264.3	–170.8
Subordinated capital			
Up to 3 months	47.8	63.0	–15.2
Between 3 months and 1 year	–	143.0	–143.0
Between 1 year and 5 years	1,185.6	1,194.0	–8.4
More than 5 years	81.4	82.3	–0.9

Other information

70 Equity management

The aim of equity management is to ensure adequate capital and reserves to carry out the business strategy determined by the Board of Management and to achieve an appropriate return on equity and comply with regulatory capital and reserves requirements (for more information, see Note [71]). The analysis of DekaBank's risk-bearing capacity is conducted based on an approach focused on the liquidity perspective. The definition of economic equity corresponds to the primary risk cover potential, on which the business strategy is based. In principle, DekaBank determines the Group risk across all significant risk types that impact on income and also includes those risks not taken into consideration for regulatory purposes, for example business risk. Group risk is measured as the amount of capital that with a high level of probability will suffice to cover all losses from the main high risk positions within a year at any time. DekaBank uses the value-at-risk approach (VaR) in order to quantify individual risks on a uniform basis and aggregate them as an indicator for Group risk.

To assess the risk-bearing capacity on a differentiated basis, DekaBank distinguishes between primary and secondary risk cover potential in line with the legal position of the investor. The primary cover potential essentially consists of equity capital according to IFRS and the various income components that are considered sustainable, even from a liquidation perspective. For other items such as hidden charges arising from securities of the investment book or goodwill, corresponding adjusting items are accounted for. The secondary cover potential also includes hybrid capital type positions; these comprise profit participation capital and subordinated liabilities – each with a remaining maturity of at least one year – as well as typical silent capital contributions.

71 Equity under banking supervisory law

The capital and reserves of the DekaBank Group under banking supervisory law are determined in accordance with the provisions of the German Banking Act (KWG). Under Sections 10 and 10(a) KWG, the DekaBank Group is obliged to ensure adequate capital and reserves to meet its commitments towards its customers.

The capital and reserves are calculated on the basis of the individual financial statements of the consolidated Group companies and their national accounting standards. The composition of capital and reserves is shown in the following table:

€m	31.12.2012	31.12.2011	Change
Subscribed capital	286.7	286.3	0.4
Less own shares	94.6	94.6	–
Open reserves	760.6	551.1	209.5
Silent capital contributions	552.4	552.4	–
Fund for general banking risks	1,809.6	1,661.0	148.6
Deductions under Section 10 (2a) German Banking Act	12.6	44.0	–31.4
Deductions under Section 10 (6) and (6a) KWG (half)	1.6	3.8	–2.2
of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	1.6	2.5	–0.9
Core capital	**3,300.5**	**2,908.4**	392.1
Profit participation capital	–	20.0	–20.0
Subordinated liabilities	535.0	747.3	–212.3
Other components	1.8	251.0	–249.2
Deductions under Section 10 (6) and (6a) KWG (half)	1.6	3.8	–2.2
of which deduction amounts under Section 10 (6a) No. 1 and 2 KWG	1.6	2.5	–0.9
Supplementary capital	**535.2**	**1,014.5**	–479.3
Modified available capital	**3,835.7**	**3,922.9**	–87.2
Tier III funds	–	–	–
Capital and reserves	**3,835.7**	**3,922.9**	–87.2

The core capital of the DekaBank Group increased by €392.1m as compared to the previous year. In essence, the change is the result of an increase in open reserves of €209.5m and an allocation to the fund for general banking risks in the amount of €148.6m.

Supplementary capital decreased by €479.3m as compared to the previous year. The lower figure can particularly be attributed to the inability to offset subordinate liabilities of €212.3m as well as the transfer of reserves pursuant to section 340f HGB (German Commercial Code) into the fund for general banking risks of DekaBank Group company Deutsche Girozentrale Luxembourg S.A. amounting to €267.7m.

Since 30 June 2007, the adequacy of the capital and reserves has been determined under the Solvency Regulation (SolvV). The risk weighted default risks are essentially determined according to the IRB approach based on internal ratings. The equity backing of market price risks is carried out using the standard method. Since 2008, operational risks have been measured using the Advanced Measurement Approach (AMA), the advanced approach according to SolvV. The above risk factors are to be backed by capital and reserves in each case. The items subject to a capital charge are shown in the following table:

€m	**31.12.2012**	**31.12.2011**	Change
Default risks	15,813.0	16,988.0	–1,175.0
Market risk positions	6,088.0	6,363.0	–275.0
Operational risks	1,710.0	1,788.0	–78.0

The adequacy of the capital and reserves is assessed using the ratio of relevant items subject to a capital charge to capital and reserves (= equity ratio) or to core capital (= core capital ratio). The tables below show the ratios for the DekaBank Group, DekaBank Deutsche Girozentrale and for the important banking subsidiary DekaBank Deutsche Girozentrale Luxembourg S.A.:

%	**31.12.2012**	**31.12.2011**	Change
DekaBank Group			
Core capital ratio	14.0	11.6	2.4
Total capital ratio	16.2	15.6	0.6
DekaBank Deutsche Girozentrale			
Core capital ratio	12.5	11.3	1.2
Total capital ratio	15.0	14.6	0.4
DekaBank Deutsche Girozentrale Luxembourg S.A.			
Core capital ratio	21.5	9.8	11.7
Total capital ratio	21.9	23.2	–1.3

The core capital ratio takes account of half of the deductions in accordance with Section 10 (6) and (6a) of the German Banking Act (KWG).

The core tier 1 capital ratio of the DekaBank Group is 11.6% (previous year: 9.4%). Silent capital contributions are not considered in the calculation of the core tier 1 capital ratio; these do not come under the transitional provisions of Basel III and will no longer be usable as core tier 1 capital once the Capital Requirements Regulation (CRR) comes into force.

The capital and reserves requirement under banking supervisory law was complied with at all times during the reporting year and stands considerably above the statutory minimum values.

72 Contingent and other liabilities

The off-balance sheet liabilities of the DekaBank Group refer essentially to potential future liabilities of the Group.

€m	31.12.2012	31.12.2011	Change
Irrevocable lending commitments	1,262.3	1,691.6	–429.3
Other liabilities	1,326.3	1,084.6	241.7
Total	**2,588.6**	**2,776.2**	–187.6

Irrevocable lending commitments refer to credit lines granted but not drawn down and time-limited credit lines. The amounts stated reflect the potential liabilities if the credit lines granted are used in full. The risk provision for off-balance sheet liabilities reported in the balance sheet was reduced by these amounts.

Other financial liabilities primarily include liabilities arising from warranty obligations in the amount of €1.2bn (previous year: €995.1m) as well as payment obligations of €0.1m (previous year: €0.1m) and subsequent payment obligations of €26.0m (previous year: €29.7m) to external or non-consolidated companies. There is an additional funding obligation for the security reserve of the *Landesbanken* and *Girozentralen* of €67.9m (previous year: €59.6m).

The guarantees provided by DekaBank refer to financial guarantees under IFRS, which are stated net in compliance with IAS 39. The nominal amount of the guarantees in place as at the reporting date is €0.3bn (previous year: €0.4bn).

73 Assets transferred or received as collateral

The transfer of assets as collateral for own liabilities is shown in the following table:

€m	31.12.2012	31.12.2011	Change
Book value of transferred collateral securities			
Under Pfandbrief Act	15,963.2	19,054.7	–3,091.5
For refinancing purposes with Deutsche Bundesbank	3,682.8	4,282.8	–600.0
For transactions on German and foreign futures exchanges	3,775.1	4,441.9	–666.8
For repurchase agreements	4,127.7	1,910.9	2,216.8
For securities lending transactions	5,458.5	5,125.2	333.3
For triparty transaction	2,376.7	4,936.4	–2,559.7
For other securities transactions	253.7	362.9	–109.2
Total	**35,637.7**	**40,114.8**	–4,477.1

Collateral received for repurchase agreements and securities lending transactions as well as other securities transactions, which may be repledged or resold even without the default of the party providing the collateral, amounts to €39.4bn (previous year: €47.9bn).

74 Financial instruments transferred but not derecognised

The Group transfers financial assets while retaining the material risks and rewards arising from these assets. The transfer mainly takes place parting the context of genuine repurchase and securities lending transactions. In addition, securities are primarily sold in combination with the conclusion of derivatives. Consequently, the essential risks relating to creditworthiness, interest rate change, currency and share price are retained, so that in commercial terms there is no disposal. The assets continue to be reported in the balance sheet.

€m	31.12.2012	31.12.2011	Change
Book value of non-derecognised securities for			
Genuine securities repurchase agreements			
Held to maturity	85.9	68.2	17.7
Financial assets at fair value through profit or loss	4,016.8	1,842.3	2,174.5
Securities lending transactions			
Held to maturity	35.5	1.0	34.5
Financial assets at fair value through profit or loss	409.7	238.0	171.7
Other sales without commercial disposal			
Loans and receivables	483.0	70.3	412.7
Held to maturity	0.9	3.5	–2.6
Financial assets at fair value through profit or loss	252.8	359.4	–106.6
Total	**5,284.6**	**2,582.7**	2,701.9

Liabilities of €5.9bn (previous year: €2.1bn) were reported for financial instruments transferred but not derecognised.

75 Volume of foreign currency transactions

As a result of its business policy, DekaBank does not have extensive open currency positions. The existing currency positions stem mainly from temporary market value changes on financial products.

€m	31.12.2012	31.12.2011	Change
US dollar (USD)	11.8	32.0	–20.2
British pound (GBP)	25.4	11.8	13.6
Australian dollar (AUD)	4.7	7.7	–3.0
Swiss franc (CHF)	5.6	4.5	1.1
Japanese yen (JPY)	6.8	4.2	2.6
Hong Kong dollar (HKD)	0.5	0.1	0.4
Other foreign currencies	9.2	11.9	–2.7
Total	**64.0**	**72.2**	–8.2

76 Letter of comfort

Except in the case of political risk, DekaBank will ensure that DekaBank Deutsche Girozentrale Luxembourg S.A. can meet its commitments. DekaBank Deutsche Girozentrale Luxembourg S.A. for its part has issued a letter of comfort in favour of

- Deka International S.A., Luxembourg and
- International Fund Management S.A., Luxembourg.

77 List of shareholdings

DekaBank directly or indirectly holds at least 20.0% of the shares in the following companies:

Consolidated subsidiaries:

Name. registered office	Equity share in %
Deka Beteiligungs GmbH, Frankfurt/Main	100.00
Deka Grundstücksverwaltungsgesellschaft I (GbR, Frankfurt/Main	100.00
Deka Immobilien GmbH, Frankfurt/Main	100.00
Deka Immobilien Investment GmbH, Frankfurt/Main	100.00
Deka Immobilien Luxembourg S.A., Luxembourg	100.00
Deka International S.A., Luxembourg	100.00
Deka Investment GmbH, Frankfurt/Main	100.00
Deka Investors Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Realkredit Klassik	84.57
Teilgesellschaftsvermögen Deka Infrastrukturkredit	38.65
Deka Real Estate Lending k.k., Tokyo	100.00
Deka(Swiss) Privatbank AG, Zurich	80.00[1)]
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.00
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.00
ETFlab Investment GmbH, Munich	100.00
Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH, Frankfurt/Main	100.00
International Fund Management S.A., Luxembourg	100.00
Roturo S.A., Luxembourg	100.00
VM Bank International S.A. i.L., Luxembourg	100.00
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.74
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.90

1) Consolidation ratio based on economic ownership 100%.

Consolidated funds:

Name, registered office	Equity share in %
A-DGZ 2-FONDS, Frankfurt/Main	100.00
A-DGZ 5-FONDS, Frankfurt/Main	100.00
A-DGZ 10-FONDS, Frankfurt/Main	100.00
A-DGZ 13-FONDS, Luxembourg	100.00
A-DGZ-FONDS, Frankfurt/Main	100.00
A-DKBankLUX1-FONDS, Luxembourg	100.00
A-Treasury 2000-FONDS, Frankfurt/Main	100.00
A-Treasury 93-FONDS, Frankfurt/Main	100.00
DDDD-FONDS, Frankfurt/Main	100.00
Deka Treasury Corporates-FONDS, Frankfurt/Main	100.00

Associated companies and joint ventures consolidated at equity:

Name. registered office	Equity share in %	Equity in € thousand	Net income in € thousand
S PensionsManagement GmbH, Cologne	50.00	105,448.4	2,895.9
Dealis Fund Operations GmbH, Frankfurt/Main	49.90	20,756.1	1,621.6
S Broker AG & Co. KG, Wiesbaden	30.64	27,655.0	107.6

Non-consolidated companies:

Name, registered office	Equity share in %
Banking Services Luxembourg S.à.r.l., Luxembourg	100.00
Datogon S.A., Luxembourg	100.00
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.00
Deka Immobilien k.k., Tokyo	100.00
Deka Investors Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt/Main	
Teilgesellschaftsvermögen Deka Investors Unternehmensaktien	100.00
Deka Treuhand GmbH, Frankfurt/Main	100.00
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.00
Deka Verwaltungs GmbH, Frankfurt/Main	100.00
Deka Vorratsgesellschaft 01 mbH, Frankfurt/Main	100.00
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.00
Deutsche Landesbankenzentrale AG, Berlin	100.00
Europäisches Kommunalinstitut S.à.r.l., Luxembourg	100.00
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.00
Perfeus S.A., Luxembourg	100.00
STIER Immobilien AG, Frankfurt/Main	100.00
WIV Verwaltungs GmbH, Frankfurt/Main	94.90
Deka-Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.00

Non-consolidated funds:

Name, registered office	Fund volume €m	Equity share in %
Deka-BR 45, Frankfurt/Main	5.3	100.00
Deka-Globale Aktien LowRisk, Luxembourg	11.8	100.00
RE-AVT-FundMaster, Frankfurt/Main	54.7	100.00
ETFlab Deutsche Börse EUROGOV® France, Munich	9.0	99.83
Deka-DiscountStrategie 1/2016, Frankfurt/Main	11.6	98.56
Deka-Staatsanleihen Europa, Frankfurt/Main	22.3	97.10
Deka-PB Ausgewogen, Frankfurt/Main	11.2	92.24
Deka-HedgeSelect, Frankfurt/Main	42.5	89.32
ETFlab EURO STOXX 50® Daily Short, Munich	5.6	89.19
Deka-PB Offensiv, Frankfurt/Main	12.0	87.88
ETFlab Deutsche Börse EUROGOV® France 1-3, Munich	7.1	87.49
Mix-Fonds: Select ChancePlus, Luxembourg	1.2	81.81
ETFlab iBoxx € Liquid Sovereign Diversified 10+, Munich	9.9	80.90
ETFlab MSCI Europe MC, Munich	6.1	78.53
TORRUS – Merrill Lynch Multi Strategy Fund, Luxembourg	39.5	73.48
Deka-Nachhaltigkeit Renten, Luxembourg	23.5	73.22
Deka-DiscountStrategie 12/2015, Frankfurt/Main	11.7	71.42
ETFlab Deutsche Börse EUROGOV® France 3-5, Munich	10.1	68.00
ETFlab MSCI Japan MC, Munich	2.2	63.96
ETFlab MSCI Europe, Munich	35.9	62.06
ETFlab iBoxx € Liquid Sovereign Diversified 7-10, Munich	8.2	60.75
ETFlab MSCI Europe LC, Munich	36.7	57.43
ETFlab STOXX® Europe Strong Growth 20, Munich	2.4	55.59
ETFlab Deutsche Börse EUROGOV® France 5-10, Munich	10.1	54.25
ETFlab EURO STOXX® Select Dividend 30, Munich	65.9	54.13
RE-FundMaster, Frankfurt/Main	27.1	50.00
Deka-Immobilien StrategieInstitutionell, Frankfurt/Main	10.0	50.00
Deka-Zielfonds 2045-2049, Frankfurt/Main	2.9	48.90
Deka-Nachhaltigkeit Balance, Luxembourg	21.8	48.08
Deka-Immobilien PremiumPlus-Private Banking, Luxembourg	75.7	44.49
ETFlab Deutsche Börse EUROGOV® Germany 3-5, Munich	388.8	40.63
ETFlab MSCI USA LC, Munich	32.5	39.00
Deka-Institutionell Aktien Europa, Frankfurt/Main	13.1	35.97
ETFlab Deutsche Börse EUROGOV® Germany 10+, Munich	27.4	35.57
ETFlab iBoxx € Liquid Sovereign Diversified 3-5, Munich	7.7	35.05
ETFlab MSCI Japan, Munich	12.3	31.19
ETFlab Deutsche Börse EUROGOV® Germany, Munich	485.3	30.12
ETFlab Deutsche Börse EUROGOV® Germany 5-10, Munich	329.6	28.89
ETFlab MSCI USA MC, Munich	1.8	28.38
IFM Euroaktien, Luxembourg	35.2	23.03
ETFlab MSCI Emerging Markets, Munich	11.8	22.52
Deka-EuroFlex Plus, Luxembourg	228.4	21.13

78 Related party disclosures

The DekaBank Group has business dealings with related parties. These include DekaBank's shareholders, non-consolidated subsidiaries, joint ventures and associated companies and their respective subsidiaries. For this disclosure, non-consolidated own mutual funds and special funds where the holding of the DekaBank Group exceeds 10.0% as at the reporting date are shown as subsidiaries, associated companies or other related parties in accordance with their equity holding.

Natural persons in key positions deemed to be related parties under IAS 24 are the members of the Board of Management and Administrative Board of DekaBank as the parent company. The remuneration to the persons concerned is shown in Note [80].

Transactions are carried out with related parties at normal market terms and conditions as part of the ordinary business activities of the DekaBank Group. These relate amongst others to loans, call money, time deposits and derivatives. The liabilities of the DekaBank Group to mutual funds and special funds essentially comprise balances with banks from the temporary investment of liquid funds. The tables below show the extent of these transactions.

Business dealings with shareholders of DekaBank and non-consolidated subsidiaries:

	Shareholders		Subsidiaries	
€m	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Asset items				
Due from customers	45.0	–	–	6.9
Financial assets at fair value	–	–	7.8	13.4
Other assets	–	–	1.2	0.2
Total asset items	**45.0**	**–**	**9.0**	**20.5**
Liabilities items				
Due to customers	19.6	19.9	9.6	19.6
Financial liabilities at fair value	–	–	0.3	–
Total liabilities items	**19.6**	**19.9**	**9.9**	**19.6**

Business dealings with joint ventures, associated companies and other related parties:

	Joint ventures/ associated companies		Other related parties	
€m	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Asset items				
Due from customers	5.0	69.4	–	0.4
Financial assets at fair value	24.1	18.8	–	–
Other assets	1.0	6.3	–	1.3
Total asset items	**30.1**	**94.5**	**–**	**1.7**
Liabilities items				
Due to customers	15.5	36.6	2.4	16.5
Financial liabilities at fair value	33.3	56.9	–	–
Total liabilities items	**48.8**	**93.5**	**2.4**	**16.5**

During the reporting year, investment companies in the DekaBank Group participated in the agency lending platform offered by DekaBank. In this context, potentially lendable securities in the managed funds with a total volume on average of €42.8bn (previous year: €62.2bn) were made available to DekaBank. In return, the funds received payments from DekaBank of €29.1m (previous year: €40.3m).

79 Average number of staff

	31.12.2012	31.12.2011	Change
Full-time employees	3,190	3,208	– 18
Part-time and temporary employees	608	588	20
Total	**3,798**	**3,796**	2

80 Remuneration to Board members

€	2012	2011	Change
Remuneration of active Board of Management members			
Short-term benefits	3,164,044	7,817,602	– 4,653,558
Scope of obligation under defined benefit plans (defined benefit obligation)	8,210,333	10,239,496	– 2,029,163
Scope of obligation for similar commitments	1,478,277	–	1,478,277
Remuneration of former Board of Management members and their dependents			
Short-term benefits	372,398	–	372,398
Post-employment benefits	2,343,894	2,117,468	226,429
Scope of obligation under defined benefit plans (defined benefit obligation)	46,493,482	31,496,680	14,996,802
Scope of obligation for similar commitments	2,876,728	3,037,695	– 160,967

The short-term benefits due to the members of the Board of Management include all remuneration paid and benefits in kind in the respective financial year, including variable components attributable to previous years and are therefore dependent on business performance in earlier periods.

In financial year 2012, variable remuneration elements in the amount of €2.3m (previous year: €6.1m) were committed to active and former members of the Board of Management, which are dependent on future performance. Variable remuneration components that were not paid out in the year of the commitment depend on the sustainable performance of the DekaBank Group and are deferred until the three years following the commitment year. The sustainable components of remuneration granted are subject to a two-year holding period and are paid out after that period has elapsed. Distributable earnings, corporate value, the economic result, payments to savings bank alliance partners, net sales performance and the individual contribution of the Board Members are used to determine sustainability. Short-term benefits due to active members of the Board of Management include variable remuneration components of €0.3m from the 2012 commitment year, €0.3m from the 2011 commitment year and €0.2m from the 2010 commitment year.

The remuneration to members of the Administrative Board totalled €656.0 thousand (previous year: €644.7 thousand) in the reporting year. The continuous remuneration to employees' representatives was made separately to their Administrative Board activities and was carried out at current market conditions.

In the 2012 financial year, €1.4m was allocated to provisions for pensions for active members of the Board of Management (previous year: €1.9m) and €1.6m (previous year: €1.7m) for former members of the Board of Management.

The total commitments of €54.7m (previous year: €41.7m) determined on an actuarial basis for active and former members of the Board of Management as at the reporting date are countered by plan assets of around €44.8m (previous year: €42.3m).

81 Auditor's fees

The following fees were recorded as expenses for the auditors of the consolidated financial statements in the reporting year:

€m	2012	2011	Change
Fees for			
Year-end audit services	2.7	2.9	–0.2
Other auditing services	0.8	0.9	–0.1
Tax advisory services	0.1	0.1	–
Other services	7.8	5.9	1.9
Total	**11.4**	**9.8**	1.6

82 Additional miscellaneous information

The consolidated financial statements were approved for publication on 25 February 2013 by the Board of Management of DekaBank.

Assurance of the Board of Management

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

Frankfurt/Main, 25 February 2013

DekaBank
Deutsche Girozentrale

The board of management

Rüdiger | Behrens | Dr. Danne

Dr. h. c. Oelrich | Dr. Stocker

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 statement of comprehensive income, the statement of changes in equity, the 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 2012. The preparation of the consolidated financial statements and the group management report in accordance with the 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) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 26 February 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Roland Rausch	Stefan Palm
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

We combine innovative product concepts …

As conditions in the capital markets change, so do the requirements regarding investment concepts. "Many of our customers want a product that is tailored to their individual needs. One that will allow them to leverage the opportunities in the capital markets, but which can also protect them against unquantifiable risks," reports Paul Priermeier, Head of Securities Business at Sparkasse Passau, talking about the day-to-day work as an adviser.

… with proven know-how

With its innovative products, DekaBank provides the right answers. From tangible asset funds through to its wealth concept featuring individual management options: DekaBank's product managers have geared the new investment concepts to the needs of savings bank customers. "But there is also demand for established classics such as open-ended property funds," says Michael Hauenstein, Sales Director Institutional Products at Deka Immobilien GmbH.

The current low interest rate environment is making safety-oriented financial investments challenging. Parking savings in deposit accounts does not pay off in the long term. With interest rates below the level of inflation, investors are falling into the so-called real interest rate trap, where their assets are decreased rather than accumulated. This is also changing the behaviour of many customers. "The issue of the investment return is becoming more important again during the consultation meeting," emphasises Renate Braun, Chairwoman of the Board of Management at Sparkasse Passau.

The challenge here is that if investors want to earn higher returns, they have to invest in the capital market. But many have reservations about doing so, and some customers would rather forego the opportunity to make gains for fear of incurring losses. "Our advisers often have to do a lot of convincing," says Paul Priermeier, Head of Securities Business at Sparkasse Passau.

To do this successfully, you have to have the right product concepts that clearly show investors the advantages of securities-based financial investments. Consequently, DekaBank has concentrated on developing just such products. Both the fund-based asset management offering, Deka-Vermögenskonzept (Deka Wealth Concept), and the innovative Deka-BasisAnlage (Deka Basic Investment) fund of funds concept utilise a balanced mix of yield opportunities and safety elements – and thus convince even sceptical customers.

The aim of Deka-BasisAnlage is to provide a foundation for long-term asset accumulation based on securities for a broad range of customers. It is therefore all the more important to ensure that this product concept responds to the key customer requirements. "We spent a great deal of time on the development process, because we wanted to precisely identify what really motivates savings bank customers at the moment," emphasises Hussam Masri, Head of Product Management Retail at DekaBank. In total, the feedback, experiences and suggestions from more than 1,000 advisers and sales managers from around 300 savings banks were incorporated into the product development process. Three major trends emerged from this analysis. First, most savings bank customers want an investment that offers an adequate return, secondly, they fear losing their hard-earned savings, *"Managed properly, open-ended property funds not only generate a return, but also bring stability to the securities account."*

Michael Hauenstein, Sales Director Institutional Products at Deka Immobilien GmbH

and third, many investors feel overwhelmed because the financial markets are becoming more and more complex.

"What investors need is a real feel-good product that combines an acceptable return with a certain level of safety, and charges customers the lowest fees possible," summarises Masri. Deka-BasisAnlage also offers the convenience that customers generally do not have to concern themselves with investment decisions. "The management team specifies allocation ratios for equities, bonds or liquidity that are appropriate for the market situation and selects the right funds," explains Masri. In doing this, the team has a free hand and is not limited to the fund products offered by its own bank. For special investment areas, for example, the team can access products from ten internationally renowned fund partners.

Meeting individual investment needs

In Priermeier's experience, "Customers have become more demanding when it comes to financial investments and are calling for products that correspond precisely to their requirements." Nearly all of the savings banks surveyed during the product development process confirmed this trend. The answer is to offer variants featuring different equity allocation ratios and a range of investment horizons. "We believed it was important to create a very flexible product," stresses Masri.

Such flexibility also includes being able to manage Deka-BasisAnlage on a dynamic basis. In friendlier stock market phases, the equity allocation ratio is increased to a maximum limit, which ranges from 20% to 60% depending on the variant, so that investors can reap the best possible benefit from opportunities in the equities market. Conversely, when stock markets are falling, the ratio can be reduced to almost zero in nearly all of the product variants. Investors can therefore be certain that they will not simply be left to the mercy of fluctuations in the stock market.

Alongside investment return, safety is generally an important topic. "Again and again in consultation meetings, customers express their desire for capital protection," reports Priermeier. To meet this need, Deka-BasisAnlage includes specific safety components. "Whenever customers choose a product variant, they can be 95% certain that not only will they get back the capital employed during the agreed-upon investment period, but also the equivalent of the peaks reached during that period," says Masri, explaining the concept. This is made possible through the market-based weighting of defensive and opportunistic investments.

Another extra provides additional protection: If customers choose the initial investment management option, the amount is invested in their desired variant on a gradual basis. The advantage here is that it provides a substantial cushion against the impact of potentially unfavourable investment timing.

Innovation and continuity

In addition to Deka-BasisAnlage, Priermeier and his colleagues also expanded the securities business in the high-end customer segment, helped by strong demand for the Deka-Vermögenskonzept. Designed two years ago, this wealth management product was a hit with investors from the start. The Chairwoman of the Board of Management at Sparkasse Passau reports that the individual management options it offers are proving successful. "Our customers really appreciate the flexibility and are also very happy with the extremely pleasing performance. All of that contributes to a positive trend in sales," summarises Braun.

But there is more to success in investment advice than just new products. "It's also about the interplay between further development and continuity," Braun says with conviction. Consequently, Sparkasse Passau does not rely solely on innovative concepts, but also on established classics with a proven track record of quality. These include DekaBank's open-ended property funds, which are particularly important both for customer advice and for the investment of Sparkasse Passau's own assets. "With a volume of around €900m, our securities account for our own investments is a key source of earnings that we protect against a loss in value using Deka property funds," Braun points out. "We recommend our customers to do the same," adds Priermeier. In the current market situation in particular, open-ended property funds offer major benefits. "Managed properly, they not only generate a return, but also bring stability to the securities account," explains Michael Hauenstein, Sales Director at Deka Immobilien GmbH.

DekaBank is one of the leading providers of open-ended property funds in Germany. Its extensive network of branches in Germany and abroad, along with an established property financing business, enables Deka's property specialists to act flexibly on the international markets. Deka's products were also largely spared the effects of the turmoil seen in the industry over the past few years. "We have worked together for many years and know DekaBank to be a very reliable partner," emphasises Braun.

That opinion is also shared by others, as the numerous awards from independent providers demonstrate. "We are particularly proud of the accolades for our property funds, both for private customers and those designed for the savings banks' own investments," explains Hauenstein. WestInvest ImmoValue, for instance, was recently rated as the best property portfolio. Since the requirements regarding property investment are very different for private and institutional customers, the consistent segregation of investors' money is one of the most important core elements of the philosophy at Deka Immobilien – now and in the future.

Accordingly, fund solutions can be precisely tailored to the needs of individual investor groups, for example the savings banks' own investments. "As a result, we were able to place the entire new Domus-Deutschland special property fund with the savings banks within just a few months," stresses Hauenstein. Ultimately, it is a healthy mix that makes an investment strategy successful. And DekaBank offers the right products for this: growth opportunities and safety, innovative concepts and established classics – everything investors need.

Own investments perfectly managed

DekaBank's product range is rounded out by attractive offerings for the savings banks' own investments. Individually designed and tailored special funds with low administration costs, ensure a good mix of investment return, safety and flexibility in the Depot A securities account. DekaBank property funds are also in demand here, including at Sparkasse Passau. And it's not just the reliable return that tangible asset investments provide that Renate Braun, Chairwoman of the savings bank's Board of Management, likes: "Property funds for institutional investors also help us to diversify the risk resulting from our regional focus."

Hotel property, for example, tends to be overweighted in the loan book at Sparkasse Passau. That is because the hotel business is especially important in the region around Passau which is popular with tourists. This can be balanced out by targeted investments in other types of use and regions via the Depot A securities account. "We have opted for the logistics and shopping sectors in German metropolitan regions," says Braun.

Shareholders, subsidiaries and associated companies

Shareholders of DekaBank *(as of 2 April 2013)*

DSGV ö. K.[1]	**50%**
thereof:	
Savings Banks Association Baden-Wuerttemberg	15.41%
Rhineland Savings Banks and Giro Association	13.12%
Savings Banks Association Lower Saxony	12.92%
Savings Banks Association Bavaria	12.63%
Savings Banks Association Westphalia-Lippe	12.35%
Savings Banks and Giro Association Hesse-Thuringia	11.62%
Savings Banks Association Rhineland-Palatinate	6.41%
Savings Banks Association Berlin/Landesbank Berlin	3.79%
East German Savings Banks Association	3.66%
Savings Banks and Giro Association for Schleswig-Holstein	3.56%
Savings Banks Association Saar	2.74%
Hanseatic Savings Banks and Giro Association	1.81%
Deka Erwerbsgesellschaft mbH & Co. KG	**50%**
thereof:	
Savings Banks Association Baden-Wuerttemberg	16.28%
Rhineland Savings Banks and Giro Association	15.32%
Savings Banks Association Lower Saxony	4.07%
Savings Banks Association Bavaria	16.80%
Savings Banks Association Westphalia-Lippe	7.37%
Savings Banks and Giro Association Hesse-Thuringia	10.94%
Savings Banks Association Rhineland-Palatinate	3.73%
Savings Banks Association Berlin/Landesbank Berlin	3.13%
East German Savings Banks Association	16.00%
Savings Banks and Giro Association for Schleswig-Holstein	2.96%
Savings Banks Association Saar	0.86%
Hanseatic Savings Banks and Giro Association	2.53%

[1] Guarantor

Subsidiaries and associated companies of DekaBank[1] *(as of 2 April 2013)*

Business division Asset Management Capital Markets	
Deka Investment GmbH, Frankfurt/Main	100.0%
ETFlab Investment GmbH, Munich	100.0%
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg	100.0%
Deka International S.A., Luxembourg	100.0%
International Fund Management S.A., Luxembourg	100.0%
Deka Treuhand GmbH, Frankfurt/Main	100.0%
VM Bank International S.A. i.L., Luxembourg	100.0%
Deka(Swiss) Privatbank AG, Zurich	80.0%
S-Pensionsmanagement GmbH, Cologne	50.0%
Sparkassen Pensionsfonds AG, Cologne	50.0%
Sparkassen Pensionskasse AG, Cologne	50.0%
Deka Neuburger Institut für wirtschaftsmathematische Beratung GmbH, Frankfurt/Main	50.0%
Dealis Fund Operations GmbH, Frankfurt/Main	49.9%
Heubeck AG, Cologne	45.0%
S Broker AG & Co. KG, Wiesbaden	30.6%
S Broker Management AG, Wiesbaden	30.6%
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt/Main	10.0%
Erste-Sparinvest Kapitalanlagegesellschaft mbH, Vienna	2.9%
Business division Asset Management Property	
Deka Immobilien Investment GmbH, Frankfurt/Main	100.0%
Deka Immobilien GmbH, Frankfurt/Main	100.0%
Deka Real Estate Lending k.k., Tokyo	100.0%
Deka Grundstücksverwaltungsgesellschaft I (GbR), Frankfurt/Main	100.0%
Deka Vermögensverwaltungs GmbH, Frankfurt/Main	100.0%
Deka Verwaltungs GmbH, Frankfurt/Main	100.0%
Deka Immobilien Luxembourg S.A., Luxembourg	100.0%
Deka Immobilien Beteiligungsgesellschaft mbH, Frankfurt/Main	100.0%
Deka Investors Investment AG mit TGV, Frankfurt/Main	100.0%
Deka Destination Snowmass Inc., Wilmington	100.0%
Gesellschaft für Mittelstandskreditfonds der Sparkassen-Finanzgruppe mbH, Frankfurt/Main	100.0%
WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf	99.7%
WIV GmbH & Co. Beteiligungs KG, Frankfurt/Main	94.9%
Deka-S-PropertyFund No. 1 Beteiligungs GmbH & Co. KG, Frankfurt/Main	12.5%
HELICON Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	8.3%
Business division Corporates & Markets	
DKC Deka Kommunal Consult GmbH, Düsseldorf	100.0%
Deka Beteiligungs GmbH, Frankfurt/Main	100.0%
Deka Treuhand Erwerbsgesellschaft mbH, Frankfurt/Main	100.0%
LBG Leasing Beteiligungs-GmbH, Frankfurt/Main	100.0%
Global Format GmbH & Co. KG, Munich	18.8%
Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main	12.5%
True Sale International GmbH, Frankfurt/Main	7.7%
RSU Rating Service Unit GmbH & Co. KG, Munich	6.5%
SIZ Informatikzentrum der Sparkassenorganisation GmbH, Bonn	5.0%
Liquiditäts-Konsortialbank GmbH, Frankfurt/Main	2.1%

[1] The shares are held directly or indirectly.

The Group has further holdings which are, however, of minor significance.

Administrative Board and Board of Management of DekaBank
(as of 2 April 2013)

Administrative Board

Georg Fahrenschon
Chairman
President of the German Savings Banks and Giro Association e. V., Berlin, and of the German Savings Banks and Giro Association e. V. – public law entity, Berlin
Chairman of the General Committee

Helmut Schleweis
First Deputy Chairman
Chairman of the Management Board of Sparkasse Heidelberg, Heidelberg
First Deputy Chairman of the General Committee
Member of the Audit Committee

Thomas Mang
Second Deputy Chairman
President of the Savings Banks Association Lower Saxony, Hanover
Second Deputy Chairman of the General Committee
Chairman of the Credit Committee

Representatives elected by the Shareholders' Meeting

Michael Breuer
President of the Rhineland Savings Banks and Giro Association, Düsseldorf
Member of the Audit Committee

Dr. Johannes Evers
President of the Savings Banks Association Berlin and Chairman of the Management Board of Landesbank Berlin AG, Berlin
Deputy Chairman of the Credit Committee

Dr. Rolf Gerlach
President of the Savings Banks Association Westphalia-Lippe, Münster
Member of the General Committee
Chairman of the Audit Committee

Volker Goldmann
Chairman of the Management Board of Sparkasse Bochum, Bochum

Gerhard Grandke
Managing President of the Savings Banks and Giro Association Hesse-Thuringia, Frankfurt/Main
Member of the General Committee

Walter Kleine
Chairman of the Management Board of Sparkasse Hannover, Hanover
Member of the Credit Committee

Beate Läsch-Weber
President of the Savings Banks Association Rhineland-Palatinate, Budenheim
Member of the Audit Committee

Harald Menzel
Chairman of the Management Board of Sparkasse Mittelsachsen, Freiberg
Member of the General Committee

Hans-Werner Sander
Chairman of the Management Board of Sparkasse Saarbrücken, Saarbrücken
Member of the Credit Committee

Eugen Schäufele
Chairman of the Management Board of Kreissparkasse Reutlingen, Reutlingen
Member of the Audit Committee

Siegmund Schiminski
Chairman of the Management Board of Sparkasse Bayreuth, Bayreuth
Member of the Audit Committee

Peter Schneider
President of the Savings Banks Association Baden-Wuerttemberg, Stuttgart
Member of the General Committee

Georg Sellner
Chairman of the Management Board of Stadt- und Kreis-Sparkasse Darmstadt, Darmstadt
Deputy Chairman of the Audit Committee

Dr. Harald Vogelsang
President of the Hanseatic Savings Banks and Giro Association and Spokesman of the Management Board of Hamburger Sparkasse AG, Hamburg

Johannes Werner
Chairman of the Management Board of Mittelbrandenburgische Sparkasse in Potsdam, Potsdam

Alexander Wüerst
Chairman of the Management Board of Kreissparkasse Köln, Cologne
Member of the General Committee

Theo Zellner
President of the Savings Banks Association Bavaria, Munich
Member of the General Committee

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
Member of the General Committee

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

Employee Representatives appointed by the Staff Committee

Michael Dörr
Chairman of the Staff Committee, DekaBank Deutsche Girozentrale, Frankfurt/Main

Heike Schillo
Savings Banks Sales South Germany, DekaBank Deutsche Girozentrale, Frankfurt/Main

(End of the term of office: 31 December 2013)

Board of Management

Michael Rüdiger
(from 1 November 2012)
CEO

Oliver Behrens
Deputy CEO
(from 1 November 2012)
Acting Chairman
(from 2 April 2012 to 31 October 2012)

Franz S. Waas
(to 2 April 2012)
Chairman

Dr. Matthias Danne

Hans-Jürgen Gutenberger
(to 31 July 2012)

Martin K. Müller
(from 1 May 2013 (expected))

Dr. h. c. Friedrich Oelrich

Dr. Georg Stocker
(from 1 August 2012)

Executive Managers

Manfred Karg

Osvin Nöller

Fund-related committees
(as of 2 April 2013)

Business division Asset Management Capital Markets

Advisory Board Asset Management Capital Markets Retail

Reinhard Klein
Chairman
Deputy Spokesman of the Management Board of Hamburger Sparkasse AG, Hamburg

Manfred Herpolsheimer
Deputy Chairman
Chairman of the Management Board of Sparkasse Leverkusen, Leverkusen

Jochen Brachs
Chairman of the Management Board of Sparkasse Hochschwarzwald, Titisee-Neustadt

Gerhard Döpkens
Chairman of the Management Board of Sparkasse Gifhorn-Wolfsburg, Gifhorn

Wilfried Groos
Chairman of the Management Board of Sparkasse Siegen, Siegen

Markus Groß
Chairman of the Management Board of Sparkasse Neunkirchen, Neunkirchen

Arendt Gruben
Chairman of the Management Board of Sparkasse Schwarzwald-Baar, Villingen-Schwenningen

Michael Hahn
Chairman of the Management Board of Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Sigmaringen

Michael Horn
Deputy Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Dr. Harald Langenfeld
Chairman of the Management Board of Sparkasse Leipzig, Leipzig

Matthias Nester
Chairman of the Management Board of Sparkasse Koblenz, Koblenz

Wolfgang Pötschke
Chairman of the Management Board of Sparkasse zu Lübeck AG, Lübeck

Dr. Birgit Roos
Chairwoman of the Management Board of Sparkasse Krefeld, Krefeld

Werner Schmiedeler
Chairman of the Management Board of Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach

Harald Strötgen
Chairman of the Management Board of Stadtsparkasse München, Munich

Patrick Tessmann
Member of the Management Board of Landesbank Berlin AG, Berlin

Heinz-Dieter Tschuschke
Chairman of the Management Board of Sparkasse Meschede, Meschede

Axel Warnecke
Member of the Management Board of Taunus Sparkasse, Bad Homburg v. d. H.

Guest

Ludger Gooßens
Executive Member of the Management Board of the German Savings Banks and Giro Association e. V., Berlin

(End of the term of office:
31 December 2014)

Advisory Board Asset Management Capital Markets Institutional

Joachim Hoof
Chairman
Chairman of the Management Board of Ostsächsische Sparkasse Dresden, Dresden

Bernd Gurzki
Deputy Chairman
Chairman of the Management Board of Sparkasse Emden, Emden

Christian Bonnen
Member of the Management Board of Kreissparkasse Köln, Cologne

Michael Bott
Chairman of the Management Board of Sparkasse Waldeck-Frankenberg, Korbach

Frank Brockmann
Member of the Management Board of Hamburger Sparkasse AG, Hamburg

Walter Fichtel
Deputy Chairman of the Management Board of Kreissparkasse München Starnberg Ebersberg, Munich

Michael Horn
Deputy Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Wolfgang Kuhs
Chairman of the Management Board of Sparkasse Vogtland, Plauen

Thomas Lützelberger
Chairman of the Management Board of Sparkasse Schwäbisch Hall - Crailsheim, Schwäbisch Hall

Stefan Lukai
Member of the Management Board of Sparkasse Essen, Essen

Peter Mausolf
Member of the Management Board of Sparkasse Herford, Herford

Karl Novotny
Chairman of the Management Board of Sparkasse Neumarkt-Parsberg, Neumarkt

Günter Rauber
Chairman of the Management Board of Sparkasse Wolfach, Wolfach

Hubert Riese
Member of the Management Board of Kreissparkasse Eichsfeld, Worbis

Christoph Schulz
Chairman of the Management Board of Braunschweigische Landessparkasse, Brunswick

Rolf Settelmeier
Chairman of the Management Board of Stadtsparkasse Augsburg, Augsburg

Carl Trinkl
Chairman of the Management Board of Kreissparkasse Ostalb, Aalen

Norbert Wolf
Member of the Management Board of Sparkasse Dortmund, Dortmund

(End of the term of office: 31 December 2014)

Co-operation Board Insurance

Gerhard Müller
Chairman
Chairman of the Management Board of Sparkassen-Versicherung Sachsen, Dresden

Helmut Späth
Deputy Chairman
Deputy Chairman of the Management Board of Versicherungskammer Bayern, Munich

Hans-Jürgen Büdenbender
Member of the Management Board of Sparkassen-Versicherung Sachsen, Dresden

Michael Doering
Member of the Management Board of Öffentliche Lebensversicherung Braunschweig, Brunswick

Thomas Krüger
Member of the Management Board of VGH Provinzial Lebensversicherung Hannover, Hanover

Sven Lixenfeld
Member of the Management Board of SV SparkassenVersicherung Holding AG, Stuttgart

Frank Müller
Member of the Management Board of VGH Landschaftliche Brandkasse Hannover, Hanover

Michael Rohde
Member of the Management Board, Association of Public Insurance Companies, Düsseldorf

Guido Schaefers
Member of the Management Board of Provinzial Rheinland AG, Düsseldorf

Barbara Schick
Member of the Management Board of Versicherungskammer Bayern, Munich

Manfred Steffen
Member of the Management Board of ÖSA – Öffentliche Versicherungen Sachsen-Anhalt, Magdeburg

Franz Thole
Chairman of the Management Board of Öffentliche Versicherungen Oldenburg, Oldenburg

Clemens Vatter
Member of the Management Board of Provinzial NordWest Lebensversicherung AG, Kiel

Guest

Dr. Jens Piorkowski
German Savings Banks and Giro Association e. V., Berlin

(End of the term of office: 31 December 2015)

Corporate Bodies of Subsidiaries – Business division Asset Management Capital

Deka Investment GmbH

Supervisory Board

Oliver Behrens
Chairman
Deputy CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Heinz-Jürgen Schäfer
Offenbach

Board of Management

Victor Moftakhar
Chairman
Thomas Neiße
Chairman
Frank Hagenstein
Thomas Ketter
Andreas Lau
Dr. Ulrich Neugebauer
Dr. Udo Schmidt-Mohr

DekaBank Deutsche Girozentrale Luxembourg S.A.

Administrative Board

Oliver Behrens
Chairman
Deputy CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Matthias Danne
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Rainer Mach
Managing Director of DekaBank Deutsche Girozentrale Luxembourg S.A., Luxemburg

Dr. h. c. Friedrich Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Rainer Mach
Managing Director
Wolfgang Dürr
Patrick Weydert

Deka(Swiss) Privatbank AG

Administrative Board

Oliver Behrens
President
Deputy CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Richard Nahmani
Vice-President
Partner of the Privé Holding and Chairman of the Management Board of Lombard Odier & Cie. Zürich, Zurich

Gabriele Corte
Head of Institutional Partnerships, Lombard Odier & Cie. Zürich, Zurich

Dr. h. c. Friedrich Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Antonio Sergi
Former Member of the Management Board of Banca del Gottardo, Lugano

Dr. Georg Stocker
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Michael Albanus
Holger Wern

ETFlab Investment GmbH

Supervisory Board

Oliver Behrens
Chairman
Deputy CEO of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Steffen Matthias
Consultant, Berlin

Board of Management

Andreas Fehrenbach
Chairman
Rolf Janka

Business division Asset Management Property

Advisory Board Asset Management Property

Johannes Hüser
Chairman
Chairman of the Management Board of Kreissparkasse Wiedenbrück, Rheda-Wiedenbrück

Dirk Köhler
Deputy Chairman
Chairman of the Management Board of Sparkasse Uelzen Lüchow-Dannenberg, Uelzen

Andrea Binkowski
Chairwoman of the Management Board of Sparkasse Mecklenburg-Strelitz, Neustrelitz

Wolfgang Busch
Deputy Chairman of the Management Board of Sparkasse Hilden · Ratingen · Velbert, Velbert

Toni Domani
Member of the Management Board of Sparkasse Regen-Viechtach, Regen

Peter Dudenhöffer
Deputy Chairman of the Management Board of Sparkasse Germersheim-Kandel, Kandel

Michael Grüninger
Chairman of the Management Board of Sparkasse Stockach, Stockach

Manfred Hegedüs
Chairman of the Management Board of Sparkasse Allgäu, Kempten

Jürgen Hösel
Chairman of the Management Board of Kreissparkasse Peine, Peine

Jürgen Kiehne
Chairman of the Management Board of Sparkasse Burgenlandkreis, Zeitz

Heinrich-Georg Krumme
Chairman of the Management Board of Sparkasse Westmünsterland, Dülmen

Karl-Manfred Lochner
Member of the Management Board of Landesbank Baden-Württemberg, Stuttgart

Stephan Scholl
Chairman of the Management Board of Sparkasse Pforzheim Calw, Pforzheim

Mike Stieler
Chairman of the Management Board of Sparkasse Sonneberg, Sonneberg

Dr. Hariolf Teufel
Chairman of the Management Board of Kreissparkasse Göppingen, Göppingen

Ulrich Voigt
Member of the Management Board of Sparkasse KölnBonn, Cologne

Jürgen Wagenländer
Member of the Management Board of Sparkasse Schweinfurt, Schweinfurt

Reinhold Wintermeyer
Deputy Chairman of the Management Board of Sparkasse Oberhessen, Friedberg

(End of the term of office: 31 December 2014)

Corporate Bodies of Subsidiaries – Business division Asset Management Property

Deka Immobilien GmbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. Georg Stocker
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Board of Management

Ulrich Bäcker
Burkhard Dallosch
Torsten Knapmeyer
Thomas Schmengler

Deka Immobilien Investment GmbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hartmut Wallis
Zornheim

Board of Management

Wolfgang G. Behrendt
Burkhard Dallosch
Torsten Knapmeyer
Dr. Albrecht Reihlen

WestInvest Gesellschaft für Investmentfonds mbH

Supervisory Board

Dr. Matthias Danne
Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Dr. h. c. Friedrich Oelrich
Deputy Chairman
Member of the Management Board of DekaBank Deutsche Girozentrale, Frankfurt/Main

Hartmut Wallis
Zornheim

Board of Management

Burkhard Dallosch
Benjamin Klisa
Torsten Knapmeyer
Mark Wolter

Savings Banks Sales

Regional Fund Committees for Savings Banks

Regional Fund Committee for Savings Banks North/East I

Erzgebirgssparkasse, Annaberg-Buchholz
Sparkasse Celle, Celle
Sparkasse Chemnitz, Chemnitz
Nord-Ostsee Sparkasse, Flensburg
Sparkasse Mittelsachsen, Freiberg
Sparkasse Gifhorn-Wolfsburg, Gifhorn
Sparkasse Göttingen, Göttingen
Saalesparkasse, Halle (Saale)
Sparkasse Harburg-Buxtehude, Hamburg
Sparkasse Hannover, Hanover
Sparkasse Hildesheim, Hildesheim
Förde Sparkasse, Kiel
Sparkasse Leipzig, Leipzig
Sparkasse Lüneburg, Lüneburg
Stadtsparkasse Magdeburg, Magdeburg
Sparkasse Südholstein, Neumünster
Sparkasse Osnabrück, Osnabrück
Sparkasse Vogtland, Plauen
Kreissparkasse Herzogtum Lauenburg, Ratzeburg
Sparkasse Meißen, Riesa
Sparkasse Schaumburg, Rinteln
OstseeSparkasse Rostock, Rostock
Kreissparkasse Syke, Syke
Kreissparkasse Verden, Verden
Sparkasse Zwickau, Zwickau

Regional Fund Committee for Savings Banks North/East II

Stadtsparkasse Bad Pyrmont, Bad Pyrmont
Stadtsparkasse Bad Sachsa, Bad Sachsa
Stadtsparkasse Barsinghausen, Barsinghausen
Kreissparkasse Bautzen, Bautzen
Kreissparkasse Anhalt-Bitterfeld, Bitterfeld-Wolfen
Bordesholmer Sparkasse AG, Bordesholm
Sparkasse Bremerhaven, Bremerhaven
Sparkasse Jerichower Land, Burg
Stadtsparkasse Burgdorf, Burgdorf
Stadtsparkasse Cuxhaven, Cuxhaven
Stadtsparkasse Dessau, Dessau-Rosslau
Kreissparkasse Grafschaft Diepholz, Diepholz
Sparkasse Elmshorn, Elmshorn
Sparkasse Goslar/Harz, Goslar
Sparkasse Muldental, Grimma
Stadtsparkasse Hameln, Hameln
Sparkasse Hohenwestedt, Hohenwestedt
Sparkasse zu Lübeck AG, Lübeck
Sparkasse Wittenberg, Lutherstadt Wittenberg
Sparkasse Ostprignitz-Ruppin, Neuruppin
Sparkasse Mecklenburg-Strelitz, Neustrelitz
Sparkasse Nienburg, Nienburg
Sparkasse Osterode am Harz, Osterode
Sparkasse Parchim-Lübz, Parchim
Kreissparkasse Peine, Peine
Sparkasse Altmark West, Salzwedel
Sparkasse Scheeßel, Scheeßel
Sparkasse Mecklenburg-Schwerin, Schwerin
Sparkasse Niederlausitz, Senftenberg
Sparkasse Stade-Altes Land, Stade
Sparkasse Uelzen Lüchow-Dannenberg, Uelzen
Stadtsparkasse Wedel, Wedel
Sparkasse Wilhelmshaven, Wilhelmshaven

Further Members North/East I + II

East German Savings Banks Association, Berlin
Hanseatic Savings Banks and Giro Association, Hamburg
Savings Banks Association Lower Saxony, Hanover
Savings Banks and Giro Association for Schleswig-Holstein, Kiel

Regional Fund Committee for Savings Banks Mid I

Sparkasse Westmünsterland, Ahaus and Dülmen
Taunus Sparkasse, Bad Homburg
Sparkasse Mittelmosel - Eifel Mosel Hunsrück, Bernkastel-Kues
Sparkasse Bielefeld, Bielefeld
Sparkasse KölnBonn, Cologne
Stadt- und Kreis-Sparkasse Darmstadt, Darmstadt
Sparkasse Paderborn-Detmold, Detmold and Paderborn
Sparkasse Dortmund, Dortmund
Sparkasse Düren, Düren
Sparkasse Duisburg, Duisburg
Sparkasse Mittelthüringen, Erfurt
Sparkasse Essen, Essen
Frankfurter Sparkasse, Frankfurt/Main
Sparkasse Oberhessen, Friedberg
Sparkasse Fulda, Fulda
Sparkasse Gera-Greiz, Gera
Sparkasse Gießen, Gießen
Kreissparkasse Groß-Gerau, Groß-Gerau
Sparkasse Hagen, Hagen
Sparkasse Hanau, Hanau
Sparkasse Herford, Herford
Kreissparkasse Steinfurt, Ibbenbüren
Kasseler Sparkasse, Kassel
Sparkasse Koblenz, Koblenz
Sparkasse Lemgo, Lemgo
Sparkasse Leverkusen, Leverkusen
Sparkasse Krefeld, Krefeld
Sparkasse Minden-Lübbecke, Minden
Sparkasse Mülheim an der Ruhr, Mülheim/Ruhr
Sparkasse Münsterland Ost, Münster
Sparkasse Neuwied, Neuwied
Kreissparkasse Saarlouis, Saarlouis
Sparkasse Langen-Seligenstadt, Seligenstadt
Sparkasse Siegen, Siegen
Stadt-Sparkasse Solingen, Solingen
Sparkasse Trier, Trier
Sparkasse Hilden · Ratingen · Velbert, Velbert
Sparkasse Wetzlar, Wetzlar
Nassauische Sparkasse, Wiesbaden
Stadtsparkasse Wuppertal, Wuppertal

Regional Fund Committee for Savings Banks Mid II

Sparkasse Attendorn-Lennestadt-Kirchhundem, Attendorn
Sparkasse Wittgenstein, Bad Berleburg
Sparkasse Bad Hersfeld-Rotenburg, Bad Hersfeld
Stadtsparkasse Bad Honnef, Bad Honnef
Stadtsparkasse Bad Oeynhausen, Bad Oeynhausen
Sparkasse Bensheim, Bensheim
Stadtsparkasse Blomberg/Lippe, Blomberg
Stadtsparkasse Bocholt, Bocholt
Sparkasse Bottrop, Bottrop
Stadtsparkasse Delbrück, Delbrück
Wartburg-Sparkasse, Eisenach
VerbundSparkasse Emsdetten-Ochtrup, Emsdetten
Sparkasse Odenwaldkreis, Erbach
Sparkasse Finnentrop, Finnentrop
Sparkasse Gronau, Gronau
Sparkasse Grünberg, Grünberg
Sparkasse Gütersloh, Gütersloh
Stadt-Sparkasse Haan (Rheinl.), Haan
Kreissparkasse Halle (Westfalen), Halle (Westphalia)
Sparkasse Starkenburg, Heppenheim
Kreissparkasse Saarpfalz, Homburg
Sparkasse Arnstadt-Ilmenau, Ilmenau
Sparkasse Iserlohn, Iserlohn
Sparkasse Jena-Saale-Holzland, Jena
Sparkasse Waldeck-Frankenberg, Korbach
Stadtsparkasse Lengerich, Lengerich
Sparkasse Lüdenscheid, Lüdenscheid
Sparkasse Mainz, Mainz
Kreissparkasse Mayen, Mayen
Sparkasse Neunkirchen, Neunkirchen
Sparkasse Olpe-Drolshagen-Wenden, Olpe
Stadtsparkasse Rahden, Rahden
Sparkasse Rietberg, Rietberg
Kreissparkasse Saalfeld-Rudolstadt, Saalfeld
Kreissparkasse Schlüchtern, Schlüchtern
Sparkasse Sonneberg, Sonneberg
Sparkasse Sprockhövel, Sprockhövel
Kreissparkasse St. Wendel, St. Wendel
Stadtsparkasse Versmold, Versmold
Verbands-Sparkasse Wesel, Wesel

Further Members Mid I + II

Rhineland Savings Banks and Giro Association, Düsseldorf
Savings Banks and Giro Association Hesse-Thuringia, Frankfurt/Main and Erfurt
Savings Banks Association Rhineland-Palatinate, Budenheim
Savings Banks Association Westphalia-Lippe, Münster
Savings Banks Association Saar, Saarbrücken

Regional Fund Committee for Savings Banks South I

Kreissparkasse Ostalb, Aalen and Schwäbisch Gmünd
Vereinigte Sparkassen Stadt und Landkreis Ansbach, Ansbach
Stadtsparkasse Augsburg, Augsburg
Sparkasse Bad Tölz-Wolfratshausen, Bad Tölz
Sparkasse Zollernalb, Balingen
Kreissparkasse Biberach, Biberach
Kreissparkasse Böblingen, Böblingen
Sparkasse Kraichgau, Bruchsal
Stadt- und Kreissparkasse Erlangen, Erlangen
Kreissparkasse Esslingen-Nürtingen, Esslingen
Sparkasse Freiburg-Nördlicher Breisgau, Freiburg
Sparkasse Bodensee, Friedrichshafen and Konstanz
Kreissparkasse Göppingen, Göppingen
Sparkasse Heidelberg, Heidelberg
Kreissparkasse Heilbronn, Heilbronn
Sparkasse Allgäu, Kempten
Kreissparkasse Ludwigsburg, Ludwigsburg
Sparkasse Rhein Neckar Nord, Mannheim
Sparkasse Memmingen-Lindau-Mindelheim, Memmingen
Sparkasse Offenburg/Ortenau, Offenburg
Sparkasse Passau, Passau
Sparkasse Pforzheim Calw, Pforzheim
Kreissparkasse Ravensburg, Ravensburg
Kreissparkasse Reutlingen, Reutlingen
Kreissparkasse Rottweil, Rottweil
Sparkasse Schwäbisch Hall - Crailsheim, Schwäbisch Hall
Baden-Württembergische Bank, Stuttgart
Sparkasse Tauberfranken, Tauberbischofsheim
Kreissparkasse Tuttlingen, Tuttlingen
Sparkasse Schwarzwald-Baar, Villingen-Schwenningen
Kreissparkasse Waiblingen, Waiblingen
Sparkasse Hochrhein, Waldshut-Tiengen
Sparkasse Mainfranken Würzburg, Würzburg

Regional Fund Committee for Savings Banks South II

Sparkasse Amberg-Sulzbach, Amberg
Sparkasse Bad Kissingen, Bad Kissingen
Sparkasse Bonndorf-Stühlingen, Bonndorf
Sparkasse Bühl, Bühl
Sparkasse im Landkreis Cham, Cham
Sparkasse Deggendorf, Deggendorf
Kreis- und Stadtsparkasse Dinkelsbühl, Dinkelsbühl
Sparkasse Rottal-Inn, Eggenfelden
Sparkasse Engen-Gottmadingen, Engen
Sparkasse Forchheim, Forchheim
Kreissparkasse Freudenstadt, Freudenstadt
Sparkasse Freyung-Grafenau, Freyung
Sparkasse Gengenbach, Gengenbach
Sparkasse Haslach-Zell, Haslach im Kinzigtal
Kreissparkasse Heidenheim, Heidenheim
Kreissparkasse Höchstadt a. d. Aisch, Höchstadt/Aisch
Sparkasse Hanauerland, Kehl
Sparkasse Hochschwarzwald, Kirchzarten and Titisee-Neustadt
Sparkasse Lörrach-Rheinfelden, Lörrach
Stadt- und Kreissparkasse Moosburg a. d. Isar, Moosburg
Sparkasse Neckartal-Odenwald, Mosbach
Sparkasse Markgräflerland, Müllheim and Weil am Rhein
Sparkasse Neuburg-Rain, Neuburg
Sparkasse Neumarkt i. d. OPf.-Parsberg, Neumarkt i. d. OPf.
Sparkasse Rothenburg o. d. T., Rothenburg
Sparkasse Schopfheim-Zell, Schopfheim
Stadtsparkasse Schrobenhausen, Schrobenhausen
Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Sigmaringen
Sparkasse Singen-Radolfzell, Singen
Sparkasse Staufen-Breisach, Staufen
Kreis- und Stadtsparkasse Wasserburg am Inn, Wasserburg/Inn
Sparkasse Oberpfalz Nord, Weiden i. d. OPf.
Sparkasse Wolfach, Wolfach

Further Members South I + II

Savings Banks Association Bavaria, Munich
Savings Banks Association Baden-Wuerttemberg, Stuttgart

Glossary

Advanced measurement approach (AMA) for operational risks
With this approach, the regulatory equity cover for operational risks is calculated using an internal risk model. Equity cover is determined on a VaR basis with a confidence level of 99.9% and a monitoring period of one year.

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

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

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

Balance sheet lending
Transactions in which different refinancing cost levels (liquidity spreads) are traded between banks.

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

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

Collateralised synthetic obligation (CSO)
Securitisation whose performance depends on a portfolio of credit default swaps (CDS). A variant of this product group is the bespoke CSO where the portfolio is directly agreed between the arranger and the investor.

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

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

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

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

Core business
DekaBank's core business comprises launching and managing securities and property funds for private and institutional investors as well as transactions which support and complement Asset Management along the entire Asset Management value-creation chain. These include, among other things, services in connection with fund-based asset management, the investment custody business and activities in the Corporates & Markets business division.

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

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

Credit default swap (CDS)
A credit default swap is a credit derivative for trading default risks on loans, bonds or borrower names. Normally, the protection buyer pays a regular (often quarterly or half-yearly) fee and when the credit event defined on contract conclusion takes place, e.g. default on a payment due to the insolvency of the borrower, the protection buyer receives a compensation payment from the protection seller. The CDS is similar to a loan insurance transaction and gives banks and other investor groups a flexible instrument for trading credit risks and hedging portfolios.

ECA cover
Cover for receivables under export credit agreements provided by a state-organised export credit agency (ECA). With regard to export financing, DekaBank focuses on ECA-covered business.

Economic result
As a central control variable, together with economic risk, the economic result forms the basis for risk/return management in the DekaBank Group and is, in principle, determined in accordance with IFRS accounting and measurement policies. As well as net income before tax, the economic result includes changes in the revaluation reserve before tax as well as the interest rate and currency related valuation result from original lending and issuance business, which are not recognised in the income statement under IFRS but are, however, relevant for assessing the income situation. The economic result is therefore a control variable on an accrual basis whose high level of transparency enables recipients of the external financial reporting to consider the company from the management perspective.

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

Exchange traded fund (ETF)
Exchange traded investment fund, which is usually managed passively and often reflects a market index (index fund). ETFs are suitable for implementing different investment concepts and they facilitate targeted strategies, such as core-satellite investments, reporting portfolios as liabilities and interest management. They offer added value, particularly for institutional investors.

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

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

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

Fund assets (according to BVI)
Fund assets according to BVI comprise the fund assets of the mutual and special funds and funds-of-funds as well as the master fund. Direct investments in co-operation partner funds, the proportion of products for fund-based asset management attributable to cooperation partners, third party funds and liquidity as well as the advisory/management and asset management mandates are not included.

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

Funding matrix (FM)
The funding matrix divides the incoming and outgoing cash flows from all transactions into maturity bands based on maturity dates for all portfolios and adds these to the net payment flows. This is compared to the liquidity potential and forms the balance.

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

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

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

IFRS (International Financial Reporting Standards)
In addition to the standards designated as IFRS, "IFRS" also includes the existing International Accounting Standards and the interpretations of the Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretation Committee (IFRIC), as well as the Standards and Interpretations to be published by the IAS Board in the future.

Impairment
Unplanned write-down of asset values such as goodwill, receivables and property, plant and equipment due to anticipated decline in value of the corresponding assets.

MaRisk (German minimum requirements for risk management)
Mandatory requirement by the German Federal Financial Supervisory Authority (BaFin) for the risk management practices of German credit institutions. As the supervisory authority, BaFin provides concrete details regarding Section 25a Para. 1 of the German Banking Act (KWG) in the minimum requirements for risk management.

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.

Multi asset fund
Mixed fund which invests in a broad mix of different asset classes – for example, equities, fixed-interest securities and commodities – and uses a comprehensive range of instruments, such as direct investments, funds and derivatives. The portfolios of fund products can therefore be aligned with the most attractive investment options in the various market phases.

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

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

Non-core business
Positions from credit and capital market business that are not suitable for Asset Management or to release synergies with Asset Management constitute non-core business. At the DekaBank Group, these positions have been separated internally. They are reported separately from core business and reduced while safeguarding assets at the same time.

OR claim
From the standpoint of the DekaBank Group, an OR claim is an unintended event which is associated with a negative change in assets (payment-related amounts, internal use of resources and/or opportunity costs) and which primarily results from the materialisation of an operational risk.

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

Primary/secondary cover potential
The primary cover potential is composed of the annual net income contribution, IFRS balance-sheet equity and atypical silent capital contributions. The secondary cover potential consists of subordinated debt capital positions that can also be used to cover primary liabilities.

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

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

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

Repo/lending transactions
Repo transactions are repurchase agreements (securities repurchase agreements). As part of repo transactions, securities are sold and at the same time repurchase is agreed at a fixed date and price stipulated ex ante. Securities lending involves lending securities for a specific period of time in return for payment. In some cases, the lender makes securities available.

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

Return on equity (RoE)
Economic result divided by equity including atypical silent capital contributions. The RoE also reflects the payment of interest on capital provided by shareholders.

Revaluation reserves
Revaluation reserves include fair value valuation effects from financial instruments in the available for sale category and deferred tax effects, while not affecting net profit.

Scenario analysis
A scenario analysis focuses on the material risks identified during the self-assessment and uses tree diagrams to provide a detailed description and analysis. In particular, risk indicators need to be taken into account, which facilitate the derivation of ideas for the active management of operational risks.

Securities finance
Covers all repo and securities lending transactions as well as securities lending substitute transactions with derivatives. Repos are repurchase agreements concluded as part of a repurchase agreement transaction (securities repurchase agreement). Under a repo, securities are sold and an agreement is reached at the same time to repurchase them on a fixed date at a price defined ex ante. In securities lending transactions, securities are loaned for a limited period of time in return for a fee. If necessary, the borrower furnishes collateral.

Self-assessment
Within the scope of the DekaBank Group's scenario-based self-assessment, assessors regularly identify operational risks on a structured basis in the form of loss scenarios and, using interval estimates, assess the probability of those scenarios occurring as well as the amount of the loss.

Sensitivities
Sensitivities are ratios which reflect changes in market value in response to the change in an individual risk factor.

Sensitivity-based Monte Carlo simulation
Method used to determine the value-at-risk. As part of this approach, the portfolio-related risk factors are simulated as random (stochastic) processes. The variations in the risk factors are assumed to be on the basis of normal distribution, although they also reflect historically observed correlations between risk factor changes.

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

Sustainability
DekaBank uses the definition of the term by the World Commission on Environment and Development, a United Nations organisation, from 1987 as the guiding principle of its activities relating to developing a sustainable business model: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

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

Utilisation of risk-bearing capacity
Indicator of the relationship between the group risk (business, market price, credit, shareholding, property, property fund risk and operational risk) and the cover potential.

Value-at-risk (VaR)
The VaR of a portfolio identifies the maximum possible loss that might arise within a prescribed period (= holding period, for example 10 days) and with a specific probability (= confidence level, for example 95%).

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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The Annual Report 2012 can be found on our website, including as an interactive online version, at www.dekabank.de under "Investor Relations/Reports" in German and English. Previous versions of our annual and interim reports are also available for download here.

Ordering reports
We would be pleased to send you a printed copy of the Annual Report 2012. If you would like to receive our annual reports or interim reports on a regular basis, please contact our Corporate Communications department:
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Our group companies in Luxembourg and Switzerland, DekaBank Deutsche Girozentrale Luxembourg S. A. and Deka (Swiss) Privatbank AG, publish their own annual reports.

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Gender clause
In this annual report, words in the masculine include words in the feminine; in parts of the report, the masculine form has solely been used to make the document easier to read.

Disclaimer
The management report as well as the Annual Report 2012 in other respects contain forward-looking statements as well as expectations and forecasts. These are based on the information available to us at the time of publication, which we have deemed to be reliable after careful consideration. We do not assume an obligation to update based on new information and future events after the publication of this information. We have derived our estimations and conclusions from these forward-looking statements, expectations and forecasts. We expressly point out that all of our future-oriented statements are associated with known or unknown risks or imponderables and are based on conclusions relating to future events, which depend on risks, uncertainties and other factors that are outside of our area of influence. Such developments can result from, among other things, a change in the general economic situation, the competitive situation, the development of the capital markets, changes in the tax law and legal framework and from other risks. The events actually occurring in the future may thus turn out to be considerably different from our forward-looking statements, expectations, forecasts and conclusions. We can therefore assume no liability for their correctness and completeness or for the actual occurrence of the information provided. The English translation of the DekaBank Group Annual Report is provided for convenience only. The German original is definitive.

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