



Audit Opinion

Annual financial statements for the
period ended 31 December 2008
and management report

Clearstream Banking Aktiengesellschaft
Frankfurt/Main

This is an English Translation of the German text, which is the sole authoritative version.

KPMG AG
Wirtschaftsprüfungsgesellschaft

Balance sheet as of 31 December 2008
of Clearstream Banking Aktiengesellschaft, Frankfurt/Main

	31.12.2008	31.12.2007
	EUR	EUR
Assets		
Cash and bank balances		
Cash at central banks	2,990,820.00	2,574
Bank of Deutsche Bundesbank		
EUR 2,990,820.00 (previous year: TEUR 2,574)		
Receivables from banks	1,061,031,004.22	1,167,043
Due daily		
EUR 1,061,031,004.22		
Receivables from customers	201,007,504.07	200,666
Bonds and other fixed-income securities		
Bonds and debt instruments		
of public-sector issuers	50,166,586.30	9,753
thereof, eligible as collateral at Deutsche Bundesbank		
EUR 50,166,586.30 (previous year: TEUR 9,753)		
of other issuers	34,551,130.13	9,123
thereof, eligible as collateral at Deutsche Bundesbank		
EUR 34,551,130.13 (previous year: TEUR 9,123)		
Shares and other variable-income securities	20,929,956.85	25,996
Equity investments	1,400,860.00	0
Intangible assets	360,637.06	392
Property, plant and equipment	276,572.72	317
Other assets	4,142,445.10	7,714
Deferred tax assets in accordance with section 274 (2) HGB	5,254,428.80	7,688
Deferred charges and prepaid expenses	0.00	0
Total assets	1,382,163,341.24	1,431,472
Liabilities		
Liabilities due to banks		
Due daily	1,025,609,410.99	593,553
Liabilities due to customers and other liabilities	38,165,069.84	121,095
Due daily		
EUR 38,165,069.84		
Other liabilities	11,996,063.15	26,611
Provisions		
Provisions for pensions and other obligations	27,500,312.00	28,496
Tax provisions	667,589.86	4,840
Other provisions	37,477,271.17	45,240
Shareholders' equity		
Subscribed capital	25,000,000.00	25,000
Additional paid-in capital	112,000,000.00	112,000
Retained earnings		
Legal reserve	1,391,513.20	1,397
Other retained earnings	13,467,624.66	11,945
Cumulative profit	90,250,000.00	53,500
Total liabilities	1,382,163,341.24	1,431,472
Other obligations		
Irrevocable loan commitments	9,847,300.72	51,794
51,794		
9,847,300.72		

Income statement
of Clearstream Banking Aktiengesellschaft, Frankfurt/Main
for the period from 1 January to 31 December 2008

	2008		2007		
	€	€	€	T€	T€
Interest income from					
Loans and money market transactions	107.524.048,90			82.273	
Fixed-income securities and book-entry securities	2.732.582,03	110.256.630,93		823	83.096
Interest expenses		-77.169.195,66	33.087.435,27		-53.021
Current income from					
Shares and other variable-income securities		386.517,58	386.517,58		146
Commission income		296.629.815,82			298.740
Commission expenses		-44.938.812,85	241.885.002,97		-41.441
Other operating expenses			15.955.755,52		20.824
General administrative expenses					
Personnel expenses					
Wages and salaries	-33.060.823,79			-64.282	
Social security and retirement benefits	-5.755.876,79	-38.816.500,58		-5.766	-70.048
thereof: for retirement benefits					
EUR 1.777.698,81 (previous year: TEUR 1,538)					
Other administrative expenses		-98.695.156,86	-137.511.657,44		-134.240
Depreciation and impairments of property, plant and equipment and intangible assets			-332.322,94		-350
Other operating expenses			-12.215.668,86		-14.473
Income attributable to write-ups for receivables and certain securities as well as the release of provisions in lending business		317.853,06	317.853,06		9.197
Amortisation on investments, shares in affiliated companies and bonds held as capital assets		-8.563.438,89	-8.563.438,89		0
Ordinary result			132.809.476,27		98.430
Income tax expenses		-42.428.767,65	-42.428.767,65		-35.157
Annual net profit			90.380.708,62		63.273
Withdrawals from retained earnings					
from other retained earnings	0,00	0,00		0	0
Transfer to revenue reserves					
other revenue reserves		-130.708,62	-130.708,62		-9.773
Net profit of the year			90.250.000,00		53.500

Notes to the Annual Financial Statements 2008

Accounting Policies

The annual financial statements of Clearstream Banking Aktiengesellschaft, Frankfurt/Main (hereinafter also referred to as Clearstream Banking Frankfurt) for financial 2008 were prepared in accordance with the Handelsgesetzbuch [HGB, German Commercial Code], in accordance with the Aktiengesetz [AktG, German Stock Corporation Act] and also in accordance with the Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute [RechKredV, Credit Institution Accounting Ordinance].

The valuation methods are mainly consistent with those applied in the previous year.

Fixed asset items in foreign currency are converted into Euro at historical exchange rates applicable at the time of acquisition. Foreign currency receivables and liabilities are measured using the reference rate of the ECB as of the balance sheet date; income and expenses are converted using the reference rate of the ECB applicable on the booking date.

Balances, receivables and other assets are shown with their nominal amount; shares are shown at the lower of cost or market value. General adjustments are made to reflect potential risks.

Intangible assets acquired for a monetary consideration are shown at acquisition cost less depreciation.

Property, plant and equipment are valued at acquisition or production cost. Property, plant and equipment subject to attrition were depreciated by the straight-line method at the highest rates permissible for tax purposes. In the case of movable fixed assets, the tax-law simplification rules with respect to the start of depreciation are applied in the form applicable at the time of acquisition.

In accordance with section 6 (2a) EStG, minor-value assets with costs of purchase or costs of production of more than EUR 150 and less than EUR 1,000 are depreciated over a period of five years.

Liabilities are recognised in the amount due for repayment.

Provisions for pensions and similar obligations were recognised at their present value pursuant to section 6a of the German Income Tax Act [Einkommensteuergesetz, EStG] based on actuarial principles using the 2005 G mortality tables of Prof. Dr. Klaus Heubeck. Unlike the previous year's assumed discount rate of 5.25 %, a discount rate of 6.25 % was used in the year under review. Due to tax regulations, the present value was partially used to determine the level of the provisions for the employee-financed deferred compensation programme.

The other provisions take into account all identifiable risks and uncertain liabilities as at 31 December 2008 and were recognised at the level of the anticipated payment obligation. The intrinsic value of the option was used as the basis for calculating the amount of the provisions for the stock option programmes. The values of the provisions created for the equity-linked bonus programme (ATP) are calculated using the market value of the allocated ATP shares (number of allocated ATP shares multiplied by the share price of Deutsche Börse AG as of the balance sheet date). The provisions

for anniversaries and early retirement were valued according to actuarial principles at their partial value (or in the case of recipients of early retirement benefits, at their present value). Unlike the previous year's assumed discount rate of 5.25 %, a uniform discount rate of 6.25 % was used in the year under review. Prof. Dr. Klaus Heubeck's 2005 G mortality tables were used as the basis of calculation.

Deferred taxes have been calculated in relation to the difference between the figures shown in the HGB accounts and the figures shown in the tax account. In line with the regulations of section 274 (2) HGB, an identical amount of the other retained earnings is not available for distribution to shareholders.

Notes and explanations to the balance sheet

Foreign currency assets amounted to TEUR 300,102 as of the balance sheet date (previous year: TEUR 200,686); foreign currency liabilities amounted to TEUR 300,912 (previous year: TEUR 200,559).

The changes in fixed assets can be derived from the attached statement of changes in fixed assets.

Loans and advances to banks

Of the figure shown for loans and advances to banks, TEUR 1,025,600 (previous year: TEUR 1,060,428) is attributable to accounts due from affiliated companies.

Loans and advances to customers

This item mainly comprises acquired non-marketable profit participation certificates of TEUR 200,000 (previous year: TEUR 200,000) with regard to a foreign issuer as well as current account receivables from settlement activities (TEUR 973; previous year: TEUR 767). The profit-participation certificates detailed above are allocated to the liquidity reserve. There are no accounts due from affiliated companies (previous year: TEUR 0). With the exception of the receivable in the form of the profit participation certificate, which runs until 18 June 2027, loans and advances to customers are due daily.

In order to provide protection for the counterparty default and the market price risk of a profit participation certificate, CBF has taken out a total-return swap equivalent to the nominal value of the profit participation certificate. The profit participation certificate has to be classified as a subordinate instrument.

Bonds and other fixed-income securities

These are exclusively listed paper held in liquidity reserve. Securities with a balance sheet value of TEUR 24,658 (previous year: TEUR 0) will become due within one year after the balance sheet date.

Shares and other variable-income securities

These are unlisted shares in a special fund which is classified as non-current assets. The carrying amount of the shares was TEUR 20,929 as of the balance sheet date (previous year: TEUR 25,906).

Equity participations

The Company acquired an equity participation in 2008. This investment is a share of 18.18% in Link-up Capital Markts S.L. with registered offices in Madrid.

Property, plant and equipment

This item only comprises operating and business equipment.

Other assets

As of the balance sheet date, accounts due from affiliated companies of TEUR 845 (previous year: TEUR 2,016) and tax receivables of TEUR 3,276 (previous year: TEUR 5,637) accounted for most of the other assets.

Tax accrual item according to section 274 (2) HGB

The Company has exercised its option under section 274 (2) HGB for reporting deferred tax assets. The difference between the figures shown for provisions in the commercial balance sheet and the tax balance sheet has resulted in a deferred tax assets of TEUR 5,254 (previous year: TEUR 7,688). The other retained earnings are not permitted to be paid out in this amount to shareholders in the form of a dividend.

Liabilities due to banks

Of the figure shown for liabilities due to banks, TEUR 2,584 (previous year: TEUR 8,711) is attributable to accounts due to affiliated companies.

Liabilities due to customers

The figure shown in the balance sheet is attributable mainly to securities of TEUR 22,004 (previous year: TEUR 98,009) (for participating in trading on the Frankfurt Stock Exchange, for participating in EUR money transfers for securities held in collective custody, for securities lending) and also current account liabilities of TEUR 16,181 due on a daily basis (previous year: TEUR 23,087). Liabilities due to affiliated companies of TEUR 4,569 are attributable to margin payments (previous year: TEUR 4,859).

Other liabilities

The other liabilities mainly comprise liabilities due to affiliated companies of TEUR 8,879 (previous year: TEUR 26,510), wage tax and church tax still payable in the amount of TEUR 1,896 (previous year: TEUR 1,843) and liabilities due to suppliers of TEUR 988 (previous year: TEUR 978).

Other provisions

The major items in this position are provisions in the personnel field (TEUR 35,139; previous year: TEUR 43,604) and provisions for processing errors (TEUR 1,209; previous year: TEUR 414).

Deutsche Börse AG had set up a phantom stock option programme for members of the executive board and senior executives of Deutsche Börse AG and its subsidiaries. Clearstream Banking Aktiengesellschaft participates in this programme. This programme was replaced by the new equity-linked bonus programme (Aktientantiemeprogramm – ATP) in financial 2007. A provision of TEUR 3,468 (previous year: TEUR 11,864) has been recognized under personnel expenses as of the balance sheet date to cover the intrinsic value of the allocated virtual stock options and the market value of the allocated ATP shares.

Furthermore, Deutsche Börse AG has set up a Group Share Plan (GSP) for non-executive employees of Deutsche Börse AG and its subsidiaries, which consists of a component for the acquisition of employee shares and, until financial 2006, a stock option component. This stock option component was replaced by a bonus share component in financial 2007. Clearstream Banking Aktiengesellschaft also participates in this programme. A provision of TEUR 336 (previous year: TEUR 3,713) was created to cover the intrinsic value of the stock options in circulation as of the reference date of the financial statements.

Shareholders' equity

The share capital of Clearstream Banking Aktiengesellschaft is unchanged at EUR 25,000,000. It consists of 25,000,000 no-par-value registered shares. The shares can only be transferred with the assent of the company.

In addition to the share capital, the company also has the following reserves:

	TEUR	TEUR
Additional paid-in capital		112,000
Legal reserve		1,392
Other retained earnings		
Carried forward as of 1 January 2008	11,945	
Allocation to retained earnings	131	<u>12,076</u>
Reserves as of 31 December 2008		125,468

Other liabilities

This item comprises one irrevocable loan commitment which was extended in conjunction with national securities settlement.

Disclosures and comments relating to the income statement

Interest income, current income, commission income as well as the other operating income are mainly generated in Germany, and a breakdown according to regional markets is accordingly not provided in accordance with section 34 (2) no. 1 RechKredV.

Other operating income

This item (TEUR 15,956; previous year: TEUR 20,824) mainly comprises income for services transmitted for regulatory reasons for Luxembourg-based group companies (TEUR 10,742; previous year: TEUR 12,348), income from the reversal of provisions (TEUR 576; previous year: TEUR 1,972) as well as income from services (incl. EDP development services and reporting) for German group companies (TEUR 1,211; previous year: TEUR 2,935).

Other operating expenses

The other operating expenses (TEUR 12,216; previous year: TEUR 14,473) are mainly attributable to costs of services transmitted for regulatory reasons for Luxembourg-based group companies (TEUR 10,742; previous year: TEUR 12,348), costs attributable to processing errors (TEUR 1,179, previous year: TEUR 408) as well as costs for previous years for group companies (TEUR 251; previous year: TEUR 1,242).

Other financial obligations

The other financial obligations relate to leasing and other contracts. They mainly relate to office premises, IT equipment and IT services. The total amount of obligations for 2009 will probably be TEUR 54,351. This includes obligations due to Deutsche Börse AG (TEUR 38,183) as a result of business arrangement agreements and rent as well as obligations due to Deutsche Börse Systems AG (TEUR 16,168) for IT services. The obligations amount to TEUR 217,406 for the years 2010 – 2013. The obligations for 2010 – 2013 were calculated on the basis of the agreements for 2008 and on the assumption of a constant volume. Of this figure, TEUR 152,734 is attributable to obligations due to Deutsche Börse AG and TEUR 64,672 is attributable to obligations due to Deutsche Börse Systems AG. In addition to the amounts mentioned, there are further contractual obligations due to affiliated companies (for technical processing, IT services and general services (Corporate Services)); these are charged when the services are utilised.

The obligations to Deutsche Börse AG and Deutsche Börse Systems AG are obligations due to affiliated companies.

Other disclosures

Supervisory board

The members of the supervisory board are:

Jeffrey Tessler Chairman	Chief Executive Officer of Clearstream International S.A.
Frank Gerstenschläger	Member of the Executive Board of Deutsche Börse Aktiengesellschaft, responsible for Trading and Clearing Services
Otto Wierczimok	Employees' representative, employee of the Vaults Section (up to 31 March 2008)
Peter Eck	Employees' representative, employee of the Settlements Section (since 29 April 2008)
Norfried Stumpf	Employees' representative, employee of the New Issues Section (since 19 March 2008)
Thomas Zeeb	Head of Client Relations Europe & America of Clearstream International S.A. - from 1 February to 31 August 2008 -
Yves Baguet	Managing Director Information Technology of Clearstream International S.A. (since 1 February 2008)
Marcus Thompson	Managing Director Financial Accounting & Controlling of Deutsche Börse Aktiengesellschaft (since 14 November 2008)

The members of the supervisory board did not receive any compensation in the course of the fiscal year.

Executive board

The members of the executive board are:

Andreas Wolf
(Chairman) responsible for Human Resources, Settlement & Banking ,
Risk Executive & Compliance, Customer Services, Audit,
Controls, Finance

Stefan Lepp responsible for Customer Relations, Treasury, Product
Executive Global Securities Financing

Mathias Papenfuß responsible for Custody, New Issues, Credit, Vaults,
IT Production / Development

Katja Rosenkranz responsible for Business Strategy, Marketing & Sales Support, Product Development

The total emoluments of the members of the executive board in 2008 amounted to TEUR 1,842. The total emoluments include a figure of TEUR 320 for equity-linked compensation. There are 6,299 ATP shares.

Former members of the executive board or their surviving dependants received remuneration of TEUR 1,076 in 2008. The actuarial present value of the pension obligations due to former members of the executive board and their surviving dependants amounted to a total of TEUR 9,669 as of the reference date, and is fully included in the reserves.

Positions on supervisory boards and other executive bodies

There are the following positions on supervisory boards and other executive bodies in accordance with section 340a (4) (1) HGB:

Andreas Wolf

- Clearstream International S.A., Luxembourg
- Clearstream Services S.A., Luxembourg

Employees

The average number of employees during the 2008 financial year was 376. As at 31 December 2008, 368 persons (excluding the executive board) were employed by Clearstream Banking Aktiengesellschaft.

Of the 368 employees, 7 persons have limited duration employment contracts and 45 persons have part-time employment contracts.

11 employees were on maternity or child-rearing leave or were exempted from their duties as beneficiaries of parental benefits. The annual average staffing level was 345, taking account of part-time workers.

Group membership

Clearstream Banking Aktiengesellschaft is a wholly-owned subsidiary of Clearstream International S.A., Luxembourg. Clearstream International S.A. is a wholly-owned subsidiary of Deutsche Börse Aktiengesellschaft, Frankfurt/Main. Clearstream Banking Aktiengesellschaft is included in the consolidated financial statements of Deutsche Börse Aktiengesellschaft, which are obtainable at the business premises of our company. The consolidated financial statements of Deutsche Börse Aktiengesellschaft are prepared in accordance with IFRS and are published in the electronic Federal Gazette.

Clearstream International S.A., Luxembourg, and Deutsche Börse Aktiengesellschaft, Frankfurt/Main, have notified us, pursuant to section 20 (4) AktG, that they own a majority stake in our company.

Frankfurt/Main, 30 March 2009

Clearstream Banking Aktiengesellschaft

Executive Board

Stefan Lepp

Mathias Papenfuß

Katja Rosenkranz

Andreas Wolf

Clearstream Banking Aktiengesellschaft, Frankfurt/Main

Schedule of fixed assets as of 31 December 2008

	At cost		Depreciation				Carrying amounts		
	Balance on 01.01.2008	Additions	Disposals	Transfers	Balance on 31.12.2008	Depreciation for financial year	Disposals	Balance on 31.12.2008	Balance on 31.12.2007
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Intangible assets									
Goodwill	1.533.875,64	0,00	0,00	0,00	1.533.875,64	0,00	0,00	1.533.875,64	0,00
Software excluding prepayments	10.433.527,27	243.701,66	0,00	22.046,25	10.699.275,18	225.087,03	0,00	10.318.438,13	340.176,17
Advance payments and work-in-progress	22.046,25	0,00	0,00	-22.046,25	0,00	0,00	0,00	0,00	22.046,25
	11.989.449,16	243.701,66	0,00	0,00	12.233.150,82	225.087,03	0,00	11.852.313,77	362.222,42
Property, plant and equipment									
Operating and business equipment	7.157.154,83	47.343,81	-76,44	0,00	7.204.422,20	107.235,91	-76,44	6.927.449,48	336.864,82
Financial assets									
Equity investments	0,00	1.400.560,00	0,00	0,00	1.400.560,00	0,00	0,00	0,00	0,00
Security investments	25.905.977,16	3.586.517,58	0,00	0,00	29.492.494,74	8.563.438,89	0,00	8.563.438,89	25.905.977,16
	25.905.977,16	4.987.077,58	0,00	0,00	30.893.054,74	8.563.438,89	0,00	8.563.438,89	25.905.977,16
	45.052.581,15	5.278.123,05	-76,44	0,00	50.330.627,76	8.995.761,83	-76,44	27.343.202,14	26.605.054,40

Management Report for the 2008 Financial Year

Business and operating environment

General Position of the Company

The business position of Clearstream Banking Aktiengesellschaft (hereinafter referred to as *Clearstream Banking Frankfurt* or *CBF*) remains satisfactory in a tense market environment with receding business volumes. The bank continues to maintain a good market position.

In 2008, Clearstream Banking Frankfurt again managed to largely expand its product range and also participated in the further development of the entire European securities market in particular.

The motto of the further development was *Interoperability instead of consolidation* and was based on the fact that a large number of CBF clients prefer access to different markets and asset classes to one single market access, in other words an infrastructure with an open architecture.

Clearstream Group's business philosophy gives precedence to increasing interoperability by entering into partnerships to consolidation by acquisition. In 2008, the Company used various initiatives to continue its strategy. Some of the most important are: establishing Link-Up Capital Markets S.L. (hereinafter referred to as *Link Up Markets*), introducing a new generation processing system in the Creation platform for the settling of international securities, and continuously optimising the bridge processing connection with Euroclear Bank via Clearstream Banking S.A. (hereinafter referred to as *Clearstream Banking Luxembourg* or *CBL*), an affiliated company of CBF. The new processing system offers complete interoperability with the most important local markets.

In April 2008, Clearstream Banking Frankfurt (Germany), Hellenic Exchanges S.A. (Greece), Iberclear (Spain), Oesterreichische Kontrollbank AG (Austria), SIX SIS AG (Switzerland), VP Securities Services (Denmark) and VPS (Norway) formalised their initiative to increase the efficiency of securities settlements and lower the costs of cross-border securities transactions in Europe by establishing Link-Up Capital Markets S.L. In 2009, Cyprus Stock Exchange (Cyprus) is expected to join the Group as well.

At present, this joint venture is developing an IT platform which is meant to serve as a converter and connect individual processing companies. As from the second quarter of 2009, it is planned for Link-Up Markets to be the operator of this converter. Further developments are scheduled. Clearstream Banking Frankfurt acquired an 18.18% equity share in the company. Clearstream has two representatives, Jeffery Tessler and Andreas Wolf, on the Executive Board of the company.

By getting connected to the joint infrastructure, each participating CSD obtains access to the services provided by the other participating CSD markets, for all securities. Link-Up Markets will introduce a direct delivery versus payment process in central bank currency for all cross-border transactions between participating CSD and thus ensure a risk-free cross-border settlement of securities.

By doing so, important steps are taken to implement the Code of Conduct for the clearing and settling of equity in the cash market. Clearstream Banking Frankfurt successfully implemented the following three main points of the Code of Conduct:

- As at 1 January 2008, *price transparency* was achieved by changing the price index. During the financial year, CBF implemented each price change (e.g. adjustment for securities delivery transactions) in compliance with the Code of Conduct.
- The aim was to increase *access and interoperability*. With this in mind, work was carried out within the scope of the link-up project and the application and development process for access possibilities, which was first implemented in 2007, was continued as well.
- The requirement *service unbundling and accounting separation* was implemented by a more detailed differentiation within the range of services. Our clients thus have the option to choose from individual services and, if necessary, supplement these with services from other providers. With regard to *accounting separation*, conditions were created to collect relevant data and figures for the 2008 financial year and process these in accordance with the requirements of the Code of Conduct. The first report to the German Financial Supervisory Authority [*BaFin*] is planned for the second quarter of 2009.

As a result, the requirements of the Code of Conduct were fully met within the specified period. In addition, guidelines which describe the regular monitoring mechanisms for compliance with the Code of Conduct (Terms of Reference for Auditing Compliance with the Code of Conduct) were developed in tight cooperation with the responsible authorities.

Also in 2008, Clearstream Group, and particularly Clearstream Banking Frankfurt, were major participants in the *TARGET2 securities* (hereinafter referred to as *T2S*) initiative by the European Central Bank (hereinafter referred to as *ECB*) and Eurosystems, and supported the ECB with professional expertise at a shop floor and managerial level. In addition, CBF provided constructive support to the project by participating in all work groups and deploying two executive company members to the Advisory Group, in order to assist with the best possible specification and implementation of T2S. On 17 July 2008, the Governing Council of the ECB decided to continue the T2S project and provide the necessary resources until its conclusion. The aim of this initiative is to combine all processing services for central bank money in euro in one single technical platform. T2S could fundamentally change processing methods within Europe: The complete standardisation of processing in central bank currency will increase competition between Global Custodians and CSD for securities deposits and added-value services. To what extent the European capital market will benefit from this largely depends on the way T2S will be implemented, if the stated targets will be met and how many important markets will participate in which form.

Based on the *new German settlement model*, introduced in November 2003, a further step was taken to eliminate *unwinding risks*. In November 2008, the first part of the *new daytime processing* was carried out as well as the full link-up with TARGET2. In doing so, the Company adjusted its daytime processing of securities transactions in accordance with the already existing night time processing and thus took another important step towards complying with the *Settlement Finality Directive* (EU guideline stipulating the finality of securities transactions) in order to avoid reversed transactions.

The existing self-collateralisation functionality was integrated into sections of daytime processing and present processes (ContSDS) were changed to real-time processing using TrueDVP (real-time DVP).

2008 was an extraordinary year in every respect for Clearstream as well as the global securities market in general. The financial crisis called for extraordinary measures.

These measures included the target- and need-driven monitoring of settlement transactions as well as very tight cooperation with supervisory authorities, Bundesbank, other market participants and our clients.

Particularly in September and October, Clearstream Group's activities in all business segments were managed by a Credit Crisis Management Team (CCMT). Three members of Clearstream Banking Frankfurt's Executive Board were amongst the members of this body.

One main focus was the targeted controlling of credit activities which was not restricted only to the above-mentioned months.

These activities are some of the reasons why the events in January (e.g. Bear Stearns) and also in the second half of the year (e.g. Lehmann, Hypo Real Estate) did not have any effects on Clearstream Banking Frankfurt's operating results.

The Collateral Management, Securities Lending and Tri Party Repo segments introduced additional *safety buffers* (haircuts) on a large scale. Furthermore, during several phases, certain securities were removed from the securities lending programmes and a variety of additional monitoring mechanisms introduced. In retrospect, the Global Securities Financing (GSF) activities of Clearstream Banking Frankfurt were never exposed to any risks due to the Bank's very conservative and proactive collateralisation concept.

At the same time, Clearstream Banking Frankfurt was able to gain a significant amount of business and corresponding market shares due to the complete service package offered within Deutsche Börse Group, comprising Trade, Clearing, Settlement and Collateral Management (vertical model).

Additional functionalities and extensions (link-up of the securities administration systems Xemac and CmaX of the affiliated company Clearstream Banking Luxembourg, extension of the securities pool of Euro GC Pooling, etc.), already introduced in 2007, form the basis for an infrastructure which has proven to be one of the very few 'crisis-proof' models.

As in previous years, further programme improvements were achieved on the two settlement platforms (CASCADE and Creation). The main purpose of these programme changes/additions is to increase customer satisfaction, meet cost reduction targets and implement straight-through processing (STP).

The Bank continued to improve its services for the processing of new issues, particularly for warrants and certificates, which were already implemented in 2007 as well. In August, automated securities deposit services were again extended and only a very small amount of new issues were still carried out on paper.

During 2008, a new product was developed for processing and hedging *collateralised certificates* in cooperation with a large German bank. Increasing insecurities of investors and falling growth rates within the Certificates segment during 2007 and 2008 lead to the market searching for a product to hedge the risks incurred by issuers. Clearstream Banking Frankfurt, with its neutral position as an infrastructure provider, was pre-destined to offer such a product. In 2008, the Bank was able to offer this product to a client for the first time. In the meantime, there has been an extraordinary amount of interest in this new service from the market.

Furthermore, a new central depositor link with the affiliated company Clearstream Banking Luxembourg was activated for *New Global Notes - NGN* in the summer of the same year. This link ensures the processing of NGN, which are traded in the regulated market.

As at 1 January 2009, withholding tax was introduced in Germany during the Unternehmenssteuerreform 2008 [2008 *business tax reform*]. A new service for communicating withholding tax data was developed and introduced in close

cooperation with our clients and banking associations. Since the beginning of the year, CBF clients are able to use this *Taxbox* service for exchanging tax-relevant income data.

We would like to point out the following developments with regard to the settlement of international securities (Creation platform):

- In spring, daytime processing was changed to real-time processing by further developing the Creation platform. This significantly reduced processing times for internal as well as external transactions via the depository network and indirectly via the bridge with Euroclear Bank.
- In July, further improvements to bridge processing were implemented on the basis of the extended Creation platform, which resulted in extended processing deadlines and shortened processing times.
- The business process optimisation project in the Asset Services segment was continued in 2008. This focussed on two main issues. Firstly, the systematic adjustment of income data was refined and developed in the Income Payments segment. Secondly, functional extensions were introduced for the Corporate Actions process, which support the improvement of the capital measures information process as well as a more fully automated instructions processing method.

As in previous years, intensive discussions were held with clients concerning issues of daily business and also potential further developments. The possibility of representing Clearstream Banking Frankfurt at national (including VBO conferences) and international (including SIBOS) conferences was used to a large extent.

Within Clearstream Group, the *Nearshoring* project, implemented for the first time in 2007, was continued by Clearstream Banking Frankfurt and Luxembourg as part of a group-wide restructuring and efficiency programme, with the aim of outsourcing some of the operating processes (excluding IT processes) from the locations Luxembourg and Frankfurt to an additional operational location in Prague. Clearstream Operations Prague s.r.o. was established as a subsidiary of Clearstream International in April 2008. In the autumn, the first processes were outsourced to the new affiliated company after providing intensive training. In order to implement the necessary personnel measures in line with existing social welfare models, a voluntary programme was agreed upon with the Executive Board.

During the restructuring and efficiency programme, the majority of staff were transferred from Frankfurt to Eschborn. The result was lower occupancy costs and a reduced tax ratio.

In an international trade magazine (*Global Custodian*), the service of Clearstream Banking Luxembourg, which is identical to the settlement of international business of Clearstream Banking Frankfurt, was again rated as outstanding during the annual customer survey. In all categories, the product and service range for settlement via ICSD was rated better than that of the competition.

Business Trend during the Financial Year

The 2008 financial year is the financially most successful in the company history of Clearstream Banking Frankfurt. Although core business activities decreased slightly, the global Securities Financing segment increased its turnover. Efficiency measures and a significant reduction in share-based compensation resulted in increasing income.

Within the Global Securities Financing (GSF) segment, the total (outstanding) volume of securities administered by Xemac rose from EUR 144 billion in December 2007 to EUR 299 billion in December 2008. At EUR +155 billion, this increase is five times as high as in 2007 (increase of EUR 29 billion).

In 2008, the functionality of the *Pledge Concept*, which was developed in cooperation with Deutsche Bundesbank, led to extraordinary growth within Xemac as well.

Securities Held in Collective Custody

Decrease in account volumes

The market value of securities in circulation which are held in collective custody has decreased by 14.0%, from EUR 6,357.9 billion as at the end of 2007 to EUR 5,465.0 billion as at 31 December 2008. While the value of bonds held in custody increased by 3.3%, the value of equities held in custody decreased by 25.7%.

Decrease in transaction volumes

In comparison with the previous year, the number of settled and chargeable transactions (double counting) decreased by 5.5% to 85.0 million. In other words, on a daily average basis, 332,065 transactions were recorded for settled securities transactions or completed security transfers. The total number of transactions included 40.4 million (2007: 44.0 million) stock exchange trades, 16.0 million (2007: 17.0 million) CCP settlements, and 28.6 million (2007: 29.0 million) OTC trades.

More classes held in collective custody

In 2008, the number of security issues included in collective custody increased by 27.7% as a result of the continuing strong issuing activity for bonds and warrants. At the end of 2007, Clearstream Banking Frankfurt held a total of 521,284 (end of 2007: 408,230) different classes in custody for its clients. These include 103,386 (end of 2007: 93,866) bonds, 14,161 (end of 2007: 12,694) equities, investment shares and participation certificates, and 403,737 (end of 2007: 301,670) options and certificates.

Increase in the number of client accounts

At the end of the year, Clearstream Banking Frankfurt had 337 collective custody clients (end of 2007: 340). The number of foreign account holders decreased to 118 (end of 2007: 123), while the number of German customers increased to 219 (end of 2007: 217). During the course of the year, the total number of accounts (German and foreign account holders) increased to 1,345 (end of 2007: 1,324).

Decrease in cross-border settlement with foreign CSD

In 2008, cross-border settlement between Clearstream Banking Frankfurt and foreign CSD increased by 6.0% from 392,139 transactions in 2007 to 368,694.

Securities in International Business

Slight increase in account volume

At the end of December 2008, the volume of securities held in custody at foreign custodians was 0.6% higher than in the previous year. The market value of these securities held in custody was EUR 708.8 billion (end of 2007: EUR 704.5 billion).

Strong decrease in number of transactions

Compared with 2007, the number of settled transactions in foreign securities decreased by 35.7% (double counting) to 11.3 million, of which 8.1 million (2007: 13.9 million) were stock exchange trades and transfers within the system and 3.2 million (2007: 3.8 million) OTC transactions which were settled abroad.

Increase in foreign security classes

In 2008, the number of foreign security classes increased by 3.6% to 49,591.

Increase in the number of client accounts

At the end of December 2008, Clearstream Banking Frankfurt maintained a total of 940 accounts for foreign transactions. This is 7.3% higher than in December 2007. During the same period, the number of clients declined by 6.4% from 204 to 191.

Securities Accounts and Vaults

Further decrease in security certificates held in custody

In line with expectations, the number of physical certificates held in the vaults decreased further; i.e. the trend to securitise new issues in permanent global certificates continued in 2008 as well. As at 31 December 2008, Clearstream Banking Frankfurt held 57.5 million (end of 2007: 63.4 million) certificates in its vaults.

Number of deposits and withdrawals

In 2008, a total of 2.6 million (2007: 1.5 million) certificates were deposited by our clients to be held in collective custody; 8.4 million (2007: 11.6 million) certificates were withdrawn. New issues and deliveries of due securities are not included in these figures.

Global Securities Financing

2008 was a very active year for the Securities Financing segment of Clearstream Banking Frankfurt. Due to the financial crisis, admissibility criteria for securities which are to be lent and pledged as securities were adjusted in order to eliminate the risk potential of these securities from the securities lending system. These changes affected individual positions as well as collateral baskets deposited with the Xemac securities administration system.

The significant decrease in purely equity-related *FAB* (Frankfurt Automated Borrowing) volumes was more than compensated by the strategic products *Domestic Collateral Swap*, *Frankfurt Case-by-case Lending Service* and *KAGplus*.

Members of Staff

As at the balance sheet date on 31 December 2008, 368 members of staff were employed at Clearstream Banking Frankfurt; the average figure for 2008 was 376.

During 2008, 29 employees left the services of Clearstream Banking Frankfurt. The fluctuation rate was 7.7% as a result. The decrease in staff numbers (annual average nine employees) is also a consequence of the restructuring and efficiency programme and *Nearshoring* project activities.

The following table shows the age structure of employees as at 31 December 2008:

Age	Number of Staff	Percentage
< 30 years	14	3.8%
30 to 39 years	108	29.4%
40 to 49 years	169	45.9%
50 years and over	77	20.9%
Total	368	100%

The following table shows employees' periods of company service as at 31 December 2008:

Company Service	Number of Staff	Percentage
< 5 years	46	12.5%
5 to 15 years	192	52.2%
15 years and over	130	35.3%
Total	368	100%

As at the balance sheet date 31 December 2008, 30.4% of Clearstream Banking Frankfurt's employees held post-graduate degrees. The ratio is based on the number of employees with a degree from a university, advanced technical college or college of advanced vocational studies, and also staff who have completed a course of studies abroad.

In 2007, Clearstream Banking Frankfurt staff attended on average 2.27 training days per employee.

Results of Operations, Financial Position and Net Assets

The total ratio in accordance with the German Solvency Ordinance [*Solvabilitätsverordnung - SolvV*] is based on month-end figures and fluctuates between 11.9 % and 62.6 %. The margin is due to the high volatility of our balance sheet volume. The liquidity ratio (in accordance with LiqV) lies clearly above the minimum and fluctuates between 1.6 and 2.4 on the basis of month-end figures. This ratio documents the good liquidity position of the company. Re-financing funds can be accessed at all times via our affiliated company Clearstream Banking Luxembourg.

In 2008, net interest income developed positively and increased to TEUR 33,087 (previous year: TEUR 30,075). Interest income increased to TEUR 110,257 (previous year: TEUR 83,096) and interest expenses to TEUR 77,170 (previous year: TEUR 53,021). Net interest income from current accounts and money market transactions decreased due to decreasing average customer deposits (2008: EUR 556 million; previous year: EUR 669 million) and lower average interest rates. This effect was more than compensated by investing the increased equity capital and investments in bonds and participation certificates.

Net commission income decreased from TEUR 257,299 in 2007 to TEUR 241,685 in 2008. Commission income decreased by 4.1% to TEUR 286,624 (previous year: TEUR 298,740). Commission expenses increased by 8.4% to TEUR 44,939 (previous year: TEUR 41,441).

Trades in securities which are held in collective custody showed a weaker development. Account fees decreased by 5.9%, transaction fees were approximately 3.9% lower in comparison to 2007. While account fees for trades in securities in international business slightly increased by 1.6%, transaction fees significantly decrease by 29.0% in comparison to 2007. On the other hand, other commission income developed positively and increased by 20.6% in comparison to 2007. This figure includes income from securities lending transactions, which also significantly increased by 19.2%.

Personnel expenses decreased by 44.6% to TEUR 38,817 (previous year: TEUR 70,048). This decrease is mainly due to expenses for the restructuring and efficiency programme in 2008 decreasing to TEUR 3,511 (previous year: TEUR 21,090) and total expenses for equities-based fees decreasing to TEUR 16,737. Other administration expenses also decreased to TEUR 98,695 (previous year: TEUR 134,240), mainly comprising expenses for external services and agency services amounting to TEUR 81,833 (previous year: TEUR 115,176). This change is mainly due to lower settlement fees for agency services provided by Clearstream Services, S.A.

Due to the general crash in the securities markets, a write-down to the lower of cost or market value amounting to TEUR 8,563 on financial assets was necessary.

In 2008, operating results significantly increased to TEUR 132,809 (previous year: TEUR 98,430). The tax ratio significantly decreased due to the move from Frankfurt to Eschborn. The Company's net income increased by 42.8% to TEUR 90,381 (previous year: TEUR 63,273).

Due to the increase of the capital reserve at the end of 2007, the return on equity decreased from 91.3% in 2007 to 53.6% in 2008 despite the significant increase in net income.

Risk Report

Clearstream Banking Frankfurt is integrated in the group-wide risk management system of Deutsche Börse AG to the extent permitted by regulatory requirements. The aim of the risk management function - as laid down in the *Group Risk Management Policy* - is that all dangers and all causes of potential losses and disturbances are recognised in good time, centrally recorded, evaluated and reported on so that appropriate measures can then be taken and the risks adequately controlled.

The risk strategy of Clearstream Banking Frankfurt is based on its business strategy, and defines the maximum amount of risk to be taken on for every activity. This is done by specifying terms and conditions for risk management, control and limitation. The Company pays particular attention to risk mitigation and ensures that suitable measures are taken for the avoidance, reduction and the transfer of risks and/or for the conscious assumption of risks. The aim is to reduce the frequency and extent of any losses for CBF by implementing appropriate hedging and control measures, e.g. guidelines and procedures, functional segregation, four-eye principle, reducing limits as well as so-called business continuity management. In addition, potential damages are further limited with the help of a specific insurance portfolio.

The Executive Board is responsible for the management of all risks. Clearstream Banking Frankfurt's risk management is organised on a local basis. The local departments are responsible for the identification of risks and reporting them promptly to Group Risk Management, a central functional area with company-wide competencies. Group Risk Management evaluates all existing and new risks. Furthermore, Group Risk Management reports regularly and, if necessary on an ad hoc basis, to the Executive Board. Risk controlling is performed in the local departments responsible and thus where the risks arise.

Clearstream Banking Frankfurt has developed its own risk system, and distinguishes between operational, financial, project and business risks.

Clearstream Banking Frankfurt adopts a standard approach for measuring and reporting all operational, financial and business risks; the well-known concept of "Value at Risk" (VaR). The aim of this concept is to present the general willingness to assume risk in a comprehensive and understandable manner and to facilitate prioritisation of risk measures.

VaR quantifies existing and potential risks. It determines the maximum amount of cumulative losses that Clearstream Banking Frankfurt may incur if certain independent loss events occur within a given period and with a certain probability. The models of Clearstream Banking Frankfurt are based on a period of one year, a confidence level of 99% and the assumption of non-correlated events.

Conversely, this means that there is a 1% probability that one or more events may cause the cumulative loss to match or exceed the calculated VaR within the next year. In addition, a confidence level of 99.9% is used to calculate the VaR, in order to determine the regulatory Basel II capital requirements.

In order to establish whether Clearstream Banking Frankfurt is able to bear the risk of a potential loss, the calculated VaR is compared with the current EBITA prediction (EBITA = Earnings before Interest, Tax and Amortisation; EBITA is calculated on the basis of the IFRS results of Clearstream Banking Frankfurt). As at 31 December 2008, the VaR of Clearstream Banking Frankfurt totalled less than half of the 2008 EBITA. The ratio is even lower if the risk reduction by means of insurance is also taken into account.

The results flow into a reporting system which permits risk management. Reports contain qualitative information in addition to risk quantification. Risk-relevant issues are explained in detail and their impact on Clearstream Banking Frankfurt's risk profile as well as possible counter measures described. Risk reporting is carried out on a monthly and, where necessary, an ad-hoc basis for existing and potential risks.

Internal Audit carries out independent audits to ensure that the risk controlling and risk management functions are appropriate. These audit results are input into the risk management system as well.

The individual risks in question are described in detail below.

Operational Risks

Operational risks comprise all existing and newly arising risks in conjunction with Clearstream Banking Frankfurt's regular provision of services. In essence, operational risks are potential losses from inadequate or faulty systems and internal processes, human or technical errors, inadequate or faulty external processes, damage to material goods as well as legal risks and risks of business practice. For Clearstream Banking Frankfurt, the main operational risks are problems affecting the interruption-free and error-free provision of its core products. These in particular include the clearing and settlement systems such as CASCADE.

(a) Availability risk

Availability risk is the risk that resources, which are essential for Clearstream Banking Frankfurt's service range, might fail, so that services cannot be provided at all or only with a delay. This risk is thus one of the most critical risks for Clearstream Banking Frankfurt. Triggers can include, among other things, the failure of hardware and software, operating and safety errors and also damage to the data centres.

Clearstream Banking Frankfurt manages the availability risk mainly by carrying out extensive activities in the field of Business Continuity Management (BCM). BCM comprises all processes which ensure continuing operations even in an emergency and thus considerably reduce the availability risk. These include precautions for all essential resources (systems, premises, staff, suppliers / service providers), including the redundant design of all critical IT systems and the technical infrastructure as well as emergency workstations for staff in core functions in all major operating centres. These BCM precautions are regularly examined on the following three levels:

- Operational effectiveness: examine whether the precautions are technically functioning,
- Feasibility: ensure that staff are familiar with implementing plans and processes and have the corresponding knowledge
- Recovery period: confirm that plans and processes can be carried out within the specified recovery period.

(b) Incorrect processing

In contrast to the availability risk, processing error risks arise in situations where a service is provided to clients of Clearstream Banking Frankfurt, but data was omitted during the manual inputting process. Despite all system automation and efforts to establish so-called straight-through-processing (STP), some manual tasks are still necessary. Therefore, Clearstream Banking Frankfurt is still exposed to the risk that in certain segments, e.g. in Custody Business, client

orders may be incorrectly processed. In addition, manual intervention in market and system control is necessary in special cases.

In the year under review, we again made substantial progress in reducing the risk of processing errors by reducing and also adding better safeguards to the necessary manual inputs. Losses due to processing errors are more frequent than losses due to the non-availability of resources. In 2008, the Company did not incur any significant losses as a result of processing errors.

(c) Damage to material goods

This category includes risks due to accidents or natural catastrophes, terrorism and sabotage. In 2008, no significant losses were incurred as a result of damage to material goods.

(d) Legal risks and risks of business practice

Legal risks include losses that arise due to non-compliance with or inadequate observation of new or existing laws, losses due to inadequate contractual conditions or court decisions, which are inadequately recognised as part of normal business practice, and losses due to fraud. Examples of risks arising from business practice are losses due to money laundering, violations of competition laws or breaches of bank secrecy. Clearstream Banking Frankfurt set up the Group Compliance function which is responsible for protecting the Group against potential losses from non-compliance with existing laws, regulations or good management standards, whereby particular attention is paid to the following issues:

- Prevention of money laundering and the financing of terrorist activities,
- Professional and bank secrecy,
- Prevention of insider trading,
- Prevention of market manipulation,
- Prevention of fraud,
- Prevention of conflicts of interest and corruption,
- Data protection.

In the year under review, no losses were incurred due to legal or business practice risks.

Financial Risks

Clearstream Banking Frankfurt's financial risks primarily are credit risks from lending and investment activities. There are also a very limited amount of market risks from cash investments as well as liquidity risks. Risks arising from the above-mentioned risk types are limited by implementing effective control measures.

(a) Credit risk

Credit risk is the risk arising from counterparty defaults and thus non-performance or incomplete performance of Clearstream Banking Frankfurt's receivables from such counterparty.

Clearstream Banking Frankfurt extends loans to its clients in order to increase the efficiency of settling security transactions. However, this lending business is not the same as that of other credit institutions, as Clearstream Banking Frankfurt almost exclusively extends short-term loans for settlement purposes only and most of these are hedged and extended to customers with a very good credit rating. As at the balance sheet date, there are irrevocable, hedged loan undertakings amounting to EUR 9.9 million, which only exist overnight.

Other credit risks may arise from investing moneys held in the liquidity reserve and fixed assets. The Company has a Treasury Policy which defines the conditions for investment by the Treasury department. Clearstream Banking Frankfurt invests moneys overnight with Clearstream Banking Luxembourg as part of Clearstream Group's liquidity management. The liquidity reserve is invested exclusively in government bonds or covered debt instruments of prime issuers.

In 2008, none of the described transaction types incurred any losses.

(b) Market price risk

Market price risks can arise from the investment of funds due to interest rate and currency fluctuations. Share price risks occur to a limited extent when investing in a special fund which is allocated to fixed assets. Clearstream Banking Frankfurt does not take on currency positions. Foreign currency customer deposits are offset by almost identical amounts in Nostro accounts. Open positions resulting from currency spot trades with clients are closed on the same day by corresponding offsetting transactions with Clearstream Banking Luxembourg. The liquidity reserve is invested only in euro. Open currency positions occur only in the case of the investments within the above-mentioned special fund in order to achieve appropriate returns on non-current investments. These are limited by the corresponding specifications in the investment guidelines, are further limited by appropriate hedges in certain cases and, as a whole, are of minor significance.

(c) Liquidity risk

The main liquidity risk for Clearstream Banking Frankfurt is that the Company may not have sufficient liquidity to meet its daily payment obligations or that it may incur increased refinancing costs when bridging liquidity shortages. The Treasury segment monitors the daily or intra-daily liquidity and controls it through a limit system. Extensive credit lines are available to hedge against extreme situations. In the year under review, Clearstream Banking Frankfurt always had a liquidity surplus and thus did not experience liquidity shortages.

(d) Regulatory requirements

Clearstream Banking Frankfurt must comply with the regulatory equity and liquidity requirements, which it did at all times during 2008.

Since 1 January 2007, changed equity requirements and new regulations for limiting counterparty risks (large exposure regulations) have been applicable in the European Economic Region (EER) with a transitional period of one year. These are governed in national regulations for the implementation of the EU Banking and EU Capital Adequacy Directive dated 2006, and based on the so-called Basel II regulations. The new equity regulations introduce various changes. In order to

calculate the amount of equity required, the main new or modified elements are (a) the introduction of a capital backing requirement for operational risks, (b) the introduction of internal (advanced) calculation methods for the counterparty default and operational risk, (c) the possibility of choosing between three alternative methods for the credit risk and the operational risk, (d) the introduction of risk weighting for the counterparty default risk depending on the individual default risk and (e) extended possibilities for using risk reduction techniques (e.g. securities) in order to reduce the amount of equity tied up for regulatory purposes.

Due to the amount of implementation work involved, the Company decided to wait until 2008 before introducing the new equity requirements of the German Solvency Ordinance [*Solvabilitätsverordnung - SolvV*]. In view of its customer structure (mainly banks and other financial institutions), Clearstream Banking Frankfurt decided to adopt the standard approach for counterparty default risk.

Since 1 January 2008, the Advanced Measurement Approach (AMA) is used to calculate equity requirements for operational risks, after this was approved by Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin [*German Federal Financial Supervisory Authority*] and Commission de Surveillance du Secteur Financier (CSSF), Luxembourg, which is responsible for the supervision of the Clearstream subgroup.

The new large exposure regulations and also the Liquiditätsverordnung - LiqV [*Liquidity Ordinance*] are already in use since 2007.

Business Risk

The business risk reflects the Company's relative exposure to the development of the overall economy and also its susceptibility to risks arising from external events. In this connection, risk is defined as the negative variance from the anticipated EBITA.

Clearstream Banking Frankfurt's results of operations directly and indirectly depend on the development of numerous macro-economic factors (e.g. interest rates, GDP growth, index levels, index volatility). The resulting loss potential is rather limited by the wide range of products consisting of depository and settlement transactions, securities financing services, and activity on the domestic German market as well as international markets. However, due to the financial crisis in particular and the resulting deterioration of the macro-economic environment, which is to be expected, negative developments of Clearstream Banking Frankfurt's income position cannot be excluded.

The Company's income position could also be negatively affected by external risks. These may be either endogenous changes in the market structure and economic environment or exogenous changes such as the further development of the regulatory environment. Together with the relevant offices within Deutsche Börse Group, Clearstream Banking Frankfurt keeps a very close watch on developments so that risk-minimising measures can be introduced at an early stage.

Project Risks

Project risks can arise from the implementation of current projects (introduction of new products, processes or systems) which could have material effects on one of the three other risk categories (operational, financial and business risks). As described above, these risks are evaluated by Group Risk Management and taken into account in the initial phase of major projects. All projects, which were planned and implemented in 2008, did not change the overall risk profile of Clearstream Banking Frankfurt. At present, risks arising from the implementation of projects, such as budget,

quality/quantity and deadline risks, are monitored and reported on a local level. In the year under review, this has not resulted in any negative effects for the Company.

Regulatory Environment

At present, the regulatory environment is significantly affected by the revision of general legal conditions for the banking sector in general and equity requirements, liquidity risk management and measures to increase effective and efficient control in particular. This is a result, among other things, of the global financial crisis, but has partly also been a component of verification procedures stipulated at an earlier date which are included in current provisions.

In this context, the European Union has been working on changes to the new version of the Banking and Capital Adequacy Directive [*Banken- und Kapitaladäquanzrichtlinie*], revised in 2006 to implement the Basel II framework, since the beginning of 2008. These activities mainly focus on the processing of securitisation transactions for the backing of equity, cooperation on a supervisory level with cross-border banks, the large exposure regulations and also liquidity risk management specifications. The first two aspects do not have/have only insignificant influence on the Company, while particularly the proposed changes to the large exposure regulations could significantly influence operations. Eurex Clearing is intensively involved in the legislative process and has been able to submit suggestions for the current draft of the regulatory proposals with regard to an appropriate treatment of the Company's operations and processing of securities in Europe as a whole.

Apart from the European Union's current regulatory proposals, the Basel Committee announced the selective audit and adjustment of the Basel II rules in 2009, and already published first consultation papers. At present, these focus on the treatment of securitisations, market price risks, and certain incremental risks within the context of equity backing. Further aspects have been announced for 2009. The European Union will implement the final decisions of the Basel Committee in conjunction with its own further aspects of optimised regulation of the financial markets and banking industry. Clearstream Banking Frankfurt intensively participates in this overall process as well. Inappropriate effects on the Company are counteracted by actively participating in these consultations and also by explaining the negative consequences for the market as a whole and the Company in particular to the political decision makers.

Finally, the statutory deposit insurance is currently being modified as a consequence of bank failures due to the global financial crisis. Indemnification payments to affected depositors are to be increased. It is currently not possible to assess the effects of these planned changes and the effects of current and, in some cases, future compensation cases on the amount of contributions to be paid by Clearstream Banking Frankfurt.

Effects of the Global Financial Crisis

Clearstream Banking Frankfurt is not directly affected by the financial crisis, e.g. by investing in Subprime securities. The following measures have been implemented to counter potential effects on Clearstream Banking Frankfurt in the future:

(a) Clients of Clearstream Banking Frankfurt may default on payments.

As part of Clearstream's liquidity management, Clearstream Banking Frankfurt is allowed to invest cash only with first-rate and creditworthy counterparties, except investments with CBL. No unsecured investments are made with other counterparties or clients. Clearstream Banking Frankfurt has identified customers who may be significantly affected by the crisis, and monitors them constantly.

(b) Securities, which have been pledged to Clearstream Banking Frankfurt, may be affected by a price deterioration which exceeds the safety margins. This could result in a loan being unsecured.

Securities of government issuers or agencies are used to a large extent for securing investments of Clearstream Banking Frankfurt. Clearstream Banking Frankfurt does not use securities, which have been assessed as having too high a risk factor, for hedging loans.

c) Clearstream Banking Frankfurt's liquidity could decrease as certain types of financing are not at all available or only in limited form.

Daily and intra-daily liquidity is observed constantly by the Treasury and Credit departments. No effect on the liquidity situation of Clearstream Banking Frankfurt has been determined.

Summary

In 2007, Clearstream Banking Frankfurt recognised all new risks at an early stage and was able to take appropriate measures to counter them. The risk profile of Clearstream Banking Frankfurt did not change on the basis of these measures.

Prospects

In view of the market environment - and also in view of the continuing financial crisis - and the business model of Clearstream Banking Frankfurt, the Executive Board considers that the risks for Clearstream Banking Frankfurt are limited and manageable. There are no indications pointing to a significant change in the risk situation of Clearstream Banking Frankfurt.

There are plans to continue developing the risk management organisation and systems in 2009 as well. There are also plans to further improve stress tests in the credit risk sector.

Branch Offices

The Company has no branch offices.

Events after the Balance Sheet Date

On 23 March 09, Deutsche Börse AG announced that it has passed a concept to implement an intermediary holding structure for the Clearstream subgroup. The concept intends the transfer of 51% of Clearstream International S.A.'s equity in Deutsche Börse AG to Deutsche Börse Dienstleistungs AG at book value. It is scheduled to complete the implementation of this concept during 2009.

Forecast Report

The forecast report describes Clearstream Banking Frankfurt's anticipated development in the 2009 and 2010 financial years. It includes statements and information on future processes. This predictive information and these statements are based on the Company's expectations and assumptions at the time this forecast report was published. Such expectations and assumptions in turn are subject to known and unknown risks and uncertainties. Various factors can affect the Company's success, business strategy and results. Many of these factors are beyond the Company's control. Should any of these risks and uncertainties materialise or should any of the underlying assumptions prove to be incorrect, the Company's actual development could significantly differ, positively as well as negatively, from the expectations and assumptions of the predictive statements and information given in this report.

The Company assumes that the volume of internationally issued bonds will increase again in 2009 and that at the same time increased issuing activities are to be expected in the domestic market. With regard to its client structure, the Company assumes that the financial industry will continue the process of consolidation and that there will be mergers between domestic and foreign clients. Higher discounts will be given to larger clients, which should result in lower average fees. As Clearstream Banking Frankfurt is exposed to particularly fierce competition in the sectors of settlement and custody of international bonds, there could also be a reduction in market shares and thus lower sales income. However, for the period covered by the forecast, the Company does not anticipate any significant losses of its market shares.

In the period covered by the forecast, the Company also does not expect that its results of operations will be affected negatively by T2S, the settlement platform for security transactions planned by the European Central Bank. This assessment is based on two facts. Firstly, there is currently only a temporary project plan which does not schedule an implementation until 2013. Secondly, Eurosystem realised that even after the decision in July 2008 to implement the T2S platform in 2013, Eurosystem will continue to be at risk of the possibility that the platform will not be used to the intended extent. Hence, Eurosystem wishes to obtain reinsurance, a so-called legally binding statement, for the use of the platform from CSD to the effect that the platform will be used once it has become operational. There are further signs that Eurosystem may wish to obtain such reinsurance from market participants as well, i.e. market participants would oblige themselves to process their settlement volumes via the T2S platform and not use other alternatives. Only then will Eurosystem decide about the final implementation of T2S.

Clearstream will continue to constructively support T2S as it is useful to Clearstream Group's strategy, which relies on the development of value-added services and which will continue to optimally position Clearstream in the future competitive environment by combining Link-Up Markets and TARGET2 securities.

Clearstream is very well positioned to maintain already existing strong growth trends with the aid of product and service initiatives in the Global Securities Financing (GSF) segment and also corresponding tight reconciliation with other segments within Deutsche Börse Group for the development and placement of services driven by collateral and liquidity management, which are scheduled for 2009. At present, Clearstream / Deutsche Börse Group is already able to present itself as a very robust and flexible *Liquidity Hub* and will continue to expand this strong market position during 2009.

Apart from expanding the securities pool for existing baskets (e.g. by unlocking new markets) and introducing new baskets and additional currencies, the Company will continue to increase the flexibility and thus appeal of the Xemac/Euro GC Pooling product in 2009.

The development of the certificates market and the most varied product range of Clearstream Group will be very dependent upon movements in the overall market in this sector.

During the period covered by the forecast report, Clearstream Banking Frankfurt expects that net interest income will decrease in comparison to the 2008 financial year due to decreasing interest rates, particularly in euros and US dollars, and almost constant amounts of client cash deposits.

The following are the main measures planned for extending the product range in 2009:

- Final reorganisation of the New Daytime Processing Phase 2 in November,
- Expanding New Issue services and optimising the management of securities master and deadline data (reorganisation of the X List functionality to WSS Online),
- Developing the *Tax Box* functionalities (Phase 2)
- Introducing Link-up Markets Phase 1 and reorganising CSD links with the French, Belgian, Dutch and Italian markets to DVP settlement using TARGET2.

In addition, the Company plans, in cooperation with Clearstream Banking Luxembourg, to implement further developments which supplement Securities Administration services and optimise related processes.

When preparing the 2009 budget, the Company anticipated increasing numbers of internationally issued bonds and increased issuing activities in the domestic market. The budget for sales income within the Settlement segment, which is essentially dependent upon sales income in the equity markets, takes into account a slight domestic decrease in comparison to the previous year. In the international sector, on the other hand, increases are expected. Business trends in the first quarter of 2009 do not live up to expectations. We assume that net commission income for the current financial year will fall below results of the previous year, as a significant revival of the equity market cannot be expected in 2009 due to the current economic environment.

Due to its still active cost management, Clearstream Banking Frankfurt does not expect any increases in overall costs in 2009. At present, there are no signs of any potential negative exceptional factors. In 2009 and 2010, implementing the scheduled process transfer within the scope of Nearshoring activities to our affiliated company in Prague will significantly help to reduce costs as planned.

Moving large numbers of staff to Eschborn in summer 2008 and further staff in 2010 will further reduce tax ratios in 2009 and 2010.

The Company expects a good, in comparison to the previous year however reduced, overall result within a tense market environment.

Concluding Statement in Accordance with Section 312 of the German Companies Act [AktG]

In accordance with section 312 of the German Companies Act [AktG], a report concerning relations with affiliated companies has been prepared. Our report closes with the following statement:

"In the case of every legal transaction with affiliated companies, our company received appropriate compensation based on the circumstances which were known at the time at which the legal transactions were conducted or at the time at which the measures were or were not carried out, and was not disadvantaged by the fact that the measures were or were not carried out."

Frankfurt/Main, 30 March 2009

Clearstream Banking Aktiengesellschaft

Executive Board

Stefan Lepp

Mathias Papenfuss

Katja Rosenkranz

Andreas Wolf



Audit opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Clearstream Banking Aktiengesellschaft, Frankfurt/Main, for the business year from 1 January to 31 December 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's management board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB [Handelsgesetzbuch: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and evaluations of 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 accounting records, the annual financial statements and management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the company's management board as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.



Clearstream Banking Aktiengesellschaft
Audit opinion
Annual financial statements as at
31 December 2008 and management report

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of Clearstream Banking Aktiengesellschaft in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, 6 April 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

(formerly KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Bors
Wirtschaftsprüfer

Bernhard
Wirtschaftsprüfer