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Auditor's Report

Annual financial statements for the period ended 31 December 2009 and management report

Clearstream Banking Aktiengesellschaft Frankfurt am 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 2009
of Clearstream Banking Aktiengesellschaft, Frankfurt/Main

Assets	31.12.2009 EUR	31.12.2009 EUR	31.12.2008 TEUR	31.12.2008 TEUR
Cash and bank balances				
Cash at central banks		1,629,500.00		2,991
thereof: Deutsche Bundesbank				
EUR 1,629,500.00 (previous year: TEUR 2,991)				
Receivables from banks				
Due daily		433,302,599.44		1,061,031
Receivables from customers		200,815,462.94		201,007
Bonds and other fixed-income securities				
Bonds and debt instruments				
of public-sector issuers	106,230,982.99		50,189	
thereof: eligible as collateral at Deutsche Bundesbank				
EUR 106,230,982.99 (previous year: TEUR 50.189)				
of other issuers	44,972,110.96	151,203,093.95	34,561	84,750
thereof: eligible as collateral at Deutsche Bundesbank				
EUR 44,972,110.96 (previous year: TEUR 34,561)				
Shares and other variable-income securities		23,327,613.22		20,929
Equitiy investments		1,400,560.00		1,401
Intangible assets		249,051.67		381
Property, plant and equipment		220,122.37		277
Other assets		5,903,681.14		4,142
Deferred tax assets in accordance with section 274 (2) HGB		2,225,798.26		5,254
Deferred charges and prepaid expenses		30,940.00		0
Total assets		820,308,422.99		1,382,163

Liabilities	31.12.2009 EUR	31.12.2009 EUR	31.12.2009 EUR	31.12.2008 TEUR	31.12.2008 TEUR	31.12.2008 TEUR
Liabilities due to banks						
Due daily			478,527,901.28			1,025,609
Amounts due to customers						
and other liabilities:						
Due daily			32,393,504.18			38,185
Other liabilities			8,842,189.62			11,986
Provisions						
Provisions for pensions and other obligations		31,658,298.00			27,520	
Provisions for taxation		1,565,067.66			668	
Other provisions		24,703,387.46	57,926,753.12		37,477	65,665
Shareholders' equity						
Subscribed capital		25,000,000.00			25,000	
Additional paid-in capital		112,000,000.00			112,000	
Retained earnings						
Legal reserve	1,391,519.20			1,392		
Other retained earnings	19,226,555.59	20,618,074.79		12,076	13,468	
Cumulative profit		85,000,000.00	242,618,074.79		90,250	240,718
Total liabilities			820,308,422.99			1,382,163
Other obligations						
Irrevocable loan commitments		0,00	0,00		9,947	9,947

Income statement
of Clearstream Banking Aktiengesellschaft, Frankfurt/Main
for the period 1 January to 31 December 2009

	2009			2008		
	EUR	EUR	EUR	TEUR	TEUR	TEUR
Interest income from						
Loans and money market transactions	75,795,053.31			107,524		
Fixed-income securities and book-entry securities	4,720,671.82	80,515,725.13		2,732	110,256	
Interest expense		-61,485,273.84	19,030,451.29		-77,169	33,087
Current income from						
Shares and other variable-income securitities			371,313.31			387
Commission income		274,047,670.05			286,624	
Commission expenses		-51,366,828.62	222,680,841.43		-44,939	241,685
Other operating income			31,246,443.69			15,956
General administrative expenses						
Personnel expenses						
Wages and salaries	-31,137,780.08			-33,061		
Social security and retirement benefits	-11,970,659.28	-43,108,439.36		-5,756	-38,817	
thereof: for retirement benefits						
€ 8.047.008,71 (previous year: TEUR 1.778)						
other administrative expenses		-94,023,602.37	-137,132,041.73		-98,695	-137,512
Depreciation and impairments of property, plant and equipment						
and intangible assets			-303,319.95			-332
Other operating expenses			-12,226,970.51			-12,216
Amortisation attributable to write-downs for receivables and certain						
securities as well as the incease of provisions in lending business		-297,794.37			0	
Income attributable to write-ups for receivables and certain						
securities as well as the release of provisions in lending business		0,00	-297,794.37		318	318
Amortisation on investments, shares in affiliated companies						
and bonds held as capital assets		0,00			-8,563	
Income attributable to write-ups for investments, shares in affiliated						
companies and bonds held as capital assets		4,059,568.54	4,059,568.54		0	-8,563
Ordinary result			127,428,491.70			132,810
Income tax expense			-35,278,041.57			-42,429
Annual net profit			92,150,450.13			90,381
Transfer to revenue reserves						
other revenue reserves			-7,150,450.13			-131
Net profit of the year			85,000,000.00			90,250

Notes to the Financial Statements for the 2009 Financial Year

Accounting and valuation methods

The annual financial statements of Clearstream Banking Aktiengesellschaft, Frankfurt/Main (hereinafter: Clearstream Banking Frankfurt) for the 2009 financial year have been drawn up in accordance with the rules laid down in the German Commercial Code (HGB), the German Stock Corporation Act (AktG) and the German Accounting Ordinance for Banks and Financial Services Institutions (RechKredV).

The valuation methods remain unchanged from the previous year. The option provided for by article 66 paragraph 3 clause 6 of the Introductory Law to the German Commercial Code (EGHGB) for early application of the amended rules under the German Accounting Law Modernization Act (BilMoG) has not been used. The fees paid to the statutory auditor are set out in the Notes to the Consolidated Financial Statements of Deutsche Börse AG pursuant to section 285 point 17 of the German Commercial Code.

Fixed asset items in foreign currencies are converted into euros at the historical exchange rate prevailing at the time of purchase. Receivables and liabilities in foreign currencies are valued at the ECB reference rate applying on the balance sheet date; income and expenditure were converted at the ECB reference rate on the date the items were booked.

Bank balances, receivables and other assets are valued at their nominal amount; securities and equity investments are valued at cost while applying the principle of lower of cost or market price. Value adjustments are made individually for all recognizable risks.

Acquired intangible assets are valued at cost and depreciated on a planned straight-line basis.

Property, plant and equipment are valued at purchase or production cost. Depreciable property, plant and equipment have been depreciated on a straight-line basis at the maximum rate permissible for tax purposes. In the case of movable capital assets, the simplifying rules for tax purposes with respect to when depreciation begins were applied in their prevailing form at the time of purchase. As provided for by section 6 paragraph 2a of the German Income Tax Act (EStG), low-value capital assets with purchase or production costs of more than EUR 150 but not exceeding EUR 1,000 are depreciated on a planned basis over a period of five years.

Liabilities are recognized on the basis of the applicable repayment amount.

Provisions for pensions and similar obligations were made according to actuarial principles, applying partial values in accordance with section 6a of German Income Tax Act, and using the "2005 G" mortality tables developed by Prof. Klaus Heubeck, with modifications according to information from the mortality tables for 2005 to 2007 produced by the Federal Statistical Office.

Because the "2005 G" mortality tables used in the previous year no longer provide the best estimate for future mortality rates, adjustments were made to base table G for men. In the year under review, a discount rate of 5.30 percent (previous year 6.25 percent) was applied. On the basis of tax rules, provisions for the employee-financed deferred compensation plan were calculated in part using present values.

Other provisions take into account all recognizable risks and uncertain liabilities as at 31 December 2009 and were formed in the amount expected to be required. Provisions for the stock option plans were based on the intrinsic value of the option. Provisions for the Stock Bonus Plan were based on the final closing price of Deutsche Börse AG shares. Provisions for anniversaries and early retirement were valued in accordance with actuarial principles using partial values (or present values in the case of recipients of early retirement payments). In the year under review, a discount rate of 5.30 percent (previous year 6.25 percent) was applied. The "2005 G" mortality tables developed by Prof. Klaus Heubeck provided the accounting basis (with the adjustments mentioned above).

Deferred taxes were calculated on the difference between commercial and tax-based provisions accounting. In accordance with section 274 paragraph 2 of the German Commercial Code, an equal amount of other retained earnings is blocked for distribution.

Information and notes on the balance sheet

Assets in foreign currencies as at the balance sheet date amounted to TEUR 141,970 (previous year TEUR 300,102); debts in foreign currencies totalled TEUR 140,974 (previous year TEUR 300,912).

Movements in fixed assets can be seen from the dedicated table.

Receivables from banks

Of the receivables from banks, TEUR 403,996 (previous year TEUR 1,025,600) are receivables from affiliated companies.

Receivables from customers

These receivables are mainly made up of an acquired non-marketable profit-sharing right vis-à-vis a foreign issuer amounting to EUR 200.0 million (previous year EUR 200.0 million), and current account receivables from transaction settlement (TEUR 790, previous year TEUR 973). The above-mentioned profit-sharing right is assigned to the liquidity reserve. There were receivables amounting to TEUR 90 (previous year EUR 0) vis-à-vis affiliated companies. The receivables from customers are payable on a daily basis with the exception of the profit-sharing right, which has a term lasting until 18 June 2027.

To hedge against the counterparty and market price risk attaching to the profit-sharing right, CBF has entered into a total return swap for the nominal value of the profit-sharing right. The profit-sharing right is to be classified as subordinate.

Bonds and other fixed-income securities

These include only stock-exchange-traded securities in the liquidity reserve. Securities with a balance sheet value of TEUR 65,842 (previous year TEUR 24,658) mature within a year of the balance sheet date.

Shares and other variable-income securities

These are made up of non-exchange-traded units in a special fund which are assigned to fixed assets. The book value of the units as at the balance sheet date was TEUR 23,328 (previous year TEUR 20,929). This includes a write-up of TEUR 4,060 booked in 2009.

Equity investments

These are made up of a stake of 17.48% in the company Link-Up Capital Markets S.L. based in Madrid.

Property, plant and equipment

The balance sheet item "Property, plant and equipment" includes only property, plant and equipment for operational and business purposes.

Other assets

As at the balance sheet date, receivables from affiliated companies amounting to TEUR 3,242 (previous year TEUR 845) and tax receivables totalling TEUR 2,504 (previous year TEUR 3,276) made up the predominant share of other assets.

Deferred tax assets pursuant to section 274 paragraph 2 of the German Commercial Code

The company has taken the option provided for by section 274 paragraph 2 of the German Commercial Code for recognition of deferred tax assets. The difference between commercial and tax-based provisions accounting results in deferred tax assets of TEUR 2,226 (previous year TEUR 5,254). An equal amount of other retained earnings is blocked for distribution.

Liabilities due to banks

Of the liabilities due to banks, TEUR 1,563 (previous year TEUR 2,584) are liabilities towards affiliated companies.

Liabilities due to customers

The amount posted on the balance sheet is the result principally of collateral provision (for participation in trading on the Frankfurt Stock Exchange, for participation in EUR money settlement for securities held in collective custody, for securities lending) amounting to TEUR 25,005 (previous year TEUR 22,004), and of current account liabilities payable daily totalling TEUR 12,741 (previous year TEUR 16,181). There were liabilities resulting from collateral provision amounting to TEUR 4,479 (previous year TEUR 4,569) towards affiliated companies.

Other liabilities

Other liabilities were mainly comprised of liabilities towards affiliated companies totalling TEUR 6,450 (previous year TEUR 8,879), wage and church tax still to be paid amounting to TEUR 1,872 (previous year TEUR 1,896) and liabilities towards suppliers totalling TEUR 426 (previous year TEUR 988).

Other provisions

Significant contributors to this item were provisions in the human resources areas (TEUR 23,092, previous year TEUR 35,139) and for processing errors (TEUR 767, previous year TEUR 1,209).

Deutsche Börse AG set up a virtual stock option plan for members of the Executive Board and senior staff of Deutsche Börse AG and its subsidiaries. Clearstream Banking Aktiengesellschaft is part of this plan. In the 2007 financial year, the plan was replaced by the Stock Bonus Plan. A provision amounting to TEUR 2,487 (previous year TEUR 3,468) was charged to staff expenditure to cover the intrinsic value of the virtual stock options allocated or the market value of the Stock Bonus Plan shares allocated as at the balance sheet date.

Deutsche Börse AG also introduced a Group Share Plan (GSP) for non-senior staff at Deutsche Börse AG and its subsidiaries, consisting of a component for purchase of staff shares and, until the 2006 financial year, a stock option component. In the 2007 financial year, the stock option component was replaced by a bonus share component. Clearstream Banking Aktiengesellschaft is also part of this plan. A provision of TEUR 337 (previous year TEUR 336) was made to cover the intrinsic value of the outstanding stock options as at the balance sheet date.

Total equity

The share capital of Clearstream Banking Aktiengesellschaft remained unchanged at EUR 25,000,000. It is divided into 25,000,000 registered no-par-value shares. The shares may be transferred only with the company's approval.

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

	TEUR	TEUR
Capital reserve		112,000
Statutory reserve		1,392
Other retained earnings		
Carried forward at 1 January 2009	12,076	
Added to retained earnings	7,150	19,226
Reserves as at 31 December 2009		132,618

Information and notes on the income statement

Interest income, current income, commission and fee income and other operating income were earned predominantly in Germany; no geographical breakdown of income has therefore been provided as per section 34 paragraph 2 point 1 of the German Accounting Ordinance for Banks and Financial Services Institutions.

Other operating income

This item (TEUR 31,246, previous year TEUR 15,956) mainly consists of income from services for Luxembourg group companies provided via Clearstream Banking Frankfurt for supervisory reasons (TEUR 11,099, previous year TEUR 10,742), income from the writing back of provisions (TEUR 10,356, previous year TEUR 576), and earnings from services (including IT development services and reporting system services) for German group companies (TEUR 969, previous year TEUR 1,211). Other operating income also includes income not related to the accounting period resulting from the termination of insurance, amounting to TEUR 7,067.

Other operating expenses

Other operating expenses (TEUR 12,227, previous year TEUR 12,216) consists principally of expenses for services for Luxembourg group companies provided through Clearstream Banking Frankfurt for supervisory reasons (TEUR 11,099, previous year TEUR 10,742), expenses resulting from processing errors (TEUR 755, previous year TEUR 1,179), and payments for previous years to group companies (TEUR 367, previous year TEUR 251).

Other financial obligations

Other financial obligations relate to rental and other contracts. In particular, they relate to office space, data processing equipment and data processing services. The total amount of obligations for 2010 is expected to be TEUR 54,162. This includes obligations towards Deutsche Börse AG (TEUR 39,475) from service contracts and rent, and towards Deutsche Börse Systems AG (TEUR 14,687) for data processing services. For the years 2011 – 2014, the obligations amount to TEUR 216,648. The obligations for 2011 – 2014 have been calculated on the basis of the agreements for 2010 under the assumption of constant volumes. Of this total, TEUR 157,900 is accounted for by obligations to Deutsche Börse AG, and TEUR 58,748 by obligations to Deutsche Börse Systems AG. In addition to the amounts stated, there are other contractual obligations towards affiliated companies (for technical processing, data processing services and corporate services) which are charged according to actual use of these services.

The obligations towards Deutsche Börse AG and Deutsche Börse Systems AG are obligations towards affiliated companies.

Other information

Supervisory Board

The members of the Supervisory Board are as follows:

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
Peter Eck	Employee Representative, member of staff in the Settlement section
Norfried Stumpf	Employee Representative, member of staff in the New Issues section
Yves Baguet	Managing Director Information Technology at Clearstream International S.A.
Marcus Thompson	Managing Director Financial Accounting & Controlling at Deutsche Börse Aktiengesellschaft

The members of the Supervisory Board received no remuneration in the financial year.

Executive Board

The members of the Executive Board are as follows:

Andreas Wolf Chief Executive Officer	Responsible for Human Resources, Settlement & Banking, Risk Management & Compliance, Customer Services, Audit, Controls, Finance
Stefan Lepp	Responsible for Customer Relations, Treasury, Product Management Global Securities Financing
Mathias Papenfuß	Responsible for Custody, New Issues, Credit, Vaults, IT Production/Development, Investment Funds Operations
Katja Rosenkranz	Responsible for Business Strategy, Marketing & Sales Support, Product Development

The total remuneration of the members of the Executive Board in 2009 was TEUR 1,358. The figure for total remuneration includes share-based payments totalling TEUR 65. The number of Stock Bonus Plan shares was 1,118.

Previous members of the Executive Board or their survivors received payments in 2009 of TEUR 1,120. The actuarial present value of pension obligations towards previous members of the Executive Board and their survivors totalled TEUR 10,475 on the balance sheet date and is covered in full by provisions.

Seats on supervisory boards and other supervisory bodies

The following seats are held on supervisory boards and other supervisory bodies pursuant to section 340a paragraph 4 point 1 of the German Commercial Code:

Andreas Wolf

§ Clearstream International S.A., Luxembourg

§ Clearstream Services S.A., Luxembourg

Staff

The average number of staff employed during the 2009 financial year was 361. On 31 December 2009, 360 staff were employed at Clearstream Banking Aktiengesellschaft, not including members of the Executive Board.

Of these 360 staff, nine have temporary contracts of employment and 47 are part-time staff.

Ten members of staff were on maternity/paternity leave or were granted leave as recipients of parenting benefit. Taking into account part-time staff, the average full-time equivalent staffing for the year was 328.

Group structure

Clearstream Banking Aktiengesellschaft is a wholly owned subsidiary of Clearstream International S.A., Luxembourg. Clearstream International S.A. is 51 percent owned by Clearstream Holding AG, Frankfurt am Main. The remaining 49 percent of Clearstream International S.A. is held by Deutsche Börse Aktiengesellschaft, Frankfurt am Main. Clearstream Holding AG is a wholly owned subsidiary of Deutsche Börse Aktiengesellschaft, Frankfurt am Main.

Clearstream Banking Aktiengesellschaft is included in the consolidated financial statements of Deutsche Börse Aktiengesellschaft, available from our company premises. The consolidated financial statements of Deutsche Börse Aktiengesellschaft are drawn up according to IFRS rules and published in the electronic federal gazette (*Bundesanzeiger*).

Clearstream International S.A., Luxembourg, Clearstream Holding AG, Frankfurt/Main and Deutsche Börse Aktiengesellschaft, Frankfurt am Main, have informed us in accordance with section 20 paragraph 4 of the German Stock Corporation Act that they own a majority stake in our company.

Frankfurt/Main, 26 February 2010

Clearstream Banking Aktiengesellschaft

The Executive Board

Stefan Lepp Mathias Papenfuß Katja Rosenkranz Andreas Wolf

Clearstream Banking Aktiengesellschaft, Frankfurt/Main

Schedule of fixed assets as of 31 December 2009

	At cost					Depreciation					Carrying amounts	
	Balance on 01.01.2009	Additions	Disposals	Transfers	Balance on 31.12.2009	Balance on 01.01.2009	Additions	Depreciation for financial year	Disposals	Balance on 31.12.2009	31.12.2009	31.12.2008
	EUR	EUR	EUR	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	1.533.875,64	0,00	0,00	0,00	1.533.875,64	0,00	0,00
Software excluding prepayments	10.699.275,18	0,00	0,00	0,00	10.699.275,18	10.318.438,13	0,00	236.140,38	0,00	10.554.578,51	144.696,67	380.837,05
Advance payments and work-in-progress	0,00	104.355,00	0,00	0,00	104.355,00	0,00	0,00	0,00	0,00	0,00	104.355,00	0,00
	12.233.150,82	104.355,00	0,00	0,00	12.337.505,82	11.852.313,77	0,00	236.140,38	0,00	12.088.454,15	249.051,67	380.837,05
Property, plant and equipment												
Operating and business equipment	7.204.422,20	10.329,22	-258,50	0,00	7.214.492,92	6.927.449,48	0,00	67.179,57	-258,50	6.994.370,55	220.122,37	276.972,72
Financial assets												
Equity investments	1.400.560,00	0,00	0,00	0,00	1.400.560,00	0,00	0,00	0,00	0,00	0,00	1.400.560,00	1.400.560,00
Security investments	29.492.494,74	370.920,03	-2.403.261,44	0,00	27.460.153,33	8.563.438,89	-4.059.568,54	0,00	-371.330,24	4.132.540,11	23.327.613,22	20.929.055,85
	30.893.054,74	370.920,03	-2.403.261,44	0,00	28.860.713,33	8.563.438,89	-4.059.568,54	0,00	-371.330,24	4.132.540,11	24.728.173,22	22.329.615,85
	50.330.627,76	485.604,25	-2.403.519,94	0,00	48.412.712,07	27.343.202,14	-4.059.568,54	303.319,95	-371.588,74	23.215.364,81	25.197.347,26	22.987.425,62

Management Report for the 2009 Financial Year

Business and operating environment

General business situation of the company

The business situation of Clearstream Banking AG (hereinafter: Clearstream Banking Frankfurt, or CBF) is a satisfactory one despite a difficult environment and falling volumes. The company continues to enjoy a very good market position.

Clearstream Banking Frankfurt continued to work hard on expanding its product range in 2009, and, in particular, played a significant part in the ongoing development of the European securities market as a whole.

The strategic focus of this development remained "interoperability rather than consolidation", based partly on the fact that most of CBF's customers prefer single points of access to multiple markets and asset classes and so prefer using an open architecture infrastructure.

In Clearstream's group business philosophy, enhancing interoperability through partnerships has priority over consolidation through acquisitions. The main initiatives through which the company continued to pursue its strategy in 2009 included the expansion and use of Link-Up Capital Markets S.L. (hereinafter: Link Up Markets), further development of the Creation settlement platform for securities held with foreign depositories, and ongoing enhancement of the Bridge settlement link with Euroclear Bank via Clearstream Banking S.A. (hereinafter: Clearstream Banking Luxembourg or CBL), CBF's affiliated company.

Link-up Capital Markets s.L., a company founded jointly in April 2008 with Hellenic Exchanges S.A. (Greece), Iberclear (Spain), Österreichische Kontrollbank AG (Austria), SIX SIS AG (Switzerland), VP Securities Services (Denmark) and VPS (Norway), saw the inclusion of further central securities depositories (CSDs) in 2009: Cyprus Stock Exchange (Cyprus) and Strate Ltd (South African CSD).

This joint venture cuts the cost of cross-border securities settlement and reduces complexity for market participants by combining the strengths of the different systems and by improving interoperability between the central securities depositories involved. In particular, Link Up Markets offers market participants central access to multiple markets.

In essence, Link Up Markets represents the central hub of a network of CSDs covering around 50 percent of the European securities market. It works as a kind of adapter, allowing access for the existing highly efficient national infrastructures to the services of the different CSDs that are linked up. This means that CBF's customers can make use of securities custody and settlement in all these markets through their usual access point. In other words, the German market can access the other European markets without the need for expensive adaptation.

Link Up Markets went into operation on 30 March 2009, a little less than a year after being announced by the partners in the initiative. This marks a milestone in Clearstream's efforts to offer its customer simple, low-cost access to a range of national markets. Whilst CBF has already reduced transaction costs by 30 percent and thereby achieved significant cost savings for its customers, the initiative for cross-border securities settlement offers potential savings going forward of up to 80 per cent in some cases.

At present, CBF can settle cross-border transactions with Austria, Belgium, Finland, France, Italy, the Netherlands, Spain, Switzerland and the United States. Through Link Up Markets, this network has been extended to include Cyprus, Denmark, Greece and Norway, with other countries to be added in future.

Clearstream, and Clearstream Banking Frankfurt in particular, also played a significant role in 2009 in the "TARGET2-Securities" (hereinafter: T2S) initiative of the European Central Bank (the ECB) and the Eurosystem, furnishing expertise to the ECB at operational and management level. CBF continued to provide constructive support for the project through its involvement in all subgroups and having senior representatives in the Advisory Group in order to help define and implement T2S in the most efficient way. On 17 July 2008, the ECB Council confirmed that it will be going ahead with implementation of the T2S project and would provide the necessary resources until final completion of the project. On 16 July 2009, 27 European central securities depositories, including CBF and the Eurosystem, signed the "T2S Memorandum of Understanding", obliging the parties to negotiate on outsourcing of the securities delivery process to the Eurosystem. The aim is to provide settlement services in euro central bank money on a single technical platform. T2S could become the nucleus of change in the European processing landscape. Securities settlement in central bank money will be fully commoditized, allowing for increased competition between custodians and CSDs in asset servicing and value-added services. However, the benefits for the European capital market will depend on how T2S is implemented, whether the final objectives are achieved and how many key markets join and in what way.

CBF's main focus is on international market access, and the TARGET2-Securities and Link Up Markets initiatives provide support for this by removing national hurdles and promoting interoperability.

Going forward, Link Up Markets and T2S will complement one another, and there is room for both initiatives in the future European post-trade environment.
Link Up Markets can be seen as the key to T2S, as its network will complement T2S with respect to services outside securities settlement, as well as making connection into T2S easier for participating CSDs. Furthermore, the market coverage of Link Up Markets goes beyond the eurozone.

Good progress was made in 2009 in implementing the Code of Conduct for clearing and settlement of shares on the spot market. All three pillars of the Code of Conduct have been implemented by Clearstream Banking Frankfurt. "Price transparency" in particular has been integrated into existing business processes. The requirements in terms of "Service Unbundling & Accounting Separation" were fulfilled in a first report to the national supervisory authorities for 2008. These activities, too, were incorporated into existing processes in the course of 2009.

The objective of enhancing "Access & Interoperability" was served both through the Link-up project and by continuing with the process begun in 2007 for request and provision of access availability. However, little significant progress is to be reported except for the markets connected up through Link Up Markets.

Working in close collaboration with the relevant offices of the European Commission, an approach has also been developed to enable ongoing monitoring of progress in the different Access & Interoperability requests. Clearstream Banking Frankfurt has made a considerable contribution to the development of this approach.

The year 2009 was once again extraordinary for Clearstream and the global securities market in general. Measures which were introduced at the height of the financial market crisis in 2008 were continued and refined in 2009.

These measures, which are concerned among other things with the effective and appropriate monitoring of settlement business and securities administration activities, proved to be effective mechanisms for minimizing risk for the entire market in 2009 as well.

Emphasis continued to be placed on the focused management of credit activities.

For the Global Securities Financing (GSF) business, 2009 was a successful year. As a result of the financial crisis, the eligibility criteria for securities to be loaned or pledged as collateral were adjusted in order to remove the risk potential of these securities from the securities lending system. These changes affected both individual securities and baskets of securities deposited in the collateral management system Xemac. The enhanced security safeguards were acknowledged by customers and had no negative impact on business.

Other factors in the extraordinary success of the Global Securities Financing business were GC Pooling and the re-use of collateral at the central bank (the German Bundesbank) for mobilization of central bank money.

The strong growth achieved by GSF was mainly driven by timely and broad product positioning, which was well suited to the changed market environment. Two service components in particular made a major contribution to growth. Firstly, very heavy use was made of the "automated re-use of collateral" at the central bank (German Bundesbank), in order to obtain liquidity (central bank money) quickly and flexibly by making maximum use of existing collateral. The interest and collateral strategy implemented by the ECB in 2009 led to many customers adjusting their money market strategy with the assistance of Clearstream Banking Frankfurt's "automated re-use of collateral" facility, and switching from conventional money market transactions to the central bank money functionality. Secondly, new record volumes were notched up for the "GC Pooling" product (a Eurex Repo electronic money market trading system which uses Clearstream for collateral management). Because "GC Pooling" enables market participants to enter the market anonymously against a central counterparty (Eurex Clearing - CCP), here too money market strategies were adjusted in view of the continued lack of trust amongst participants' banks.

The "GC Pooling" segment, which was secured through Clearstream Banking Frankfurt under the lead management of Eurex Repo GmbH (Eurex Repo), also posted a very high level of growth again in 2009. Eurex Repo, one of the leading electronic marketplaces for international repo operations and secured funding, is linked directly to GSF's secured transaction products as part of Deutsche Börse Group's integrated model. The volume of business in the “GC Pooling“ secured money market segment reached a level of EUR 73.0 billion last year, measured by average outstanding market volume for the year. This equates to a compound annual growth rate (CAGR) for the GC Pooling segment of more than 94 percent since it was launched in 2005. The "GC Pooling" volume secured through Clearstream Banking Frankfurt reached highs of over EUR 100 billion.

Further development of the secured certificates product area, through which Clearstream Banking Frankfurt offers a fiduciary facility for end-investors in the event of issuer default, continued to attract customers in 2009, with corresponding volume growth.

Reduced turnover in the traditional securities lending business at Clearstream Banking Frankfurt because of a general reduction in stock market turnover was easily made up for by GSF business through the developments described above.

With the product and service initiatives planned for 2010 in Global Securities Financing and close collaboration with other business areas within Deutsche Börse Group in the development and placing of collateral and liquidity management driven services, Clearstream Banking Frankfurt is very well positioned to maintain its strong growth. In conjunction with CBL and other companies in Deutsche Börse Group, a very robust and flexible Liquidity Hub is already offered, and the strong market position it has created will be further expanded in the course of 2010.

Over the past year, a series of improvements were implemented as part of Clearstream Banking's Cross-Border Initiative. In January 2009, the migration of CSD links with the French, Belgian and Dutch markets from ISO 7775 to ISO 15022 format was successfully completed, creating the basis for the addition of a delivery-versus-payment link. Furthermore, in March 2009, the existing bilateral links to the CSDs in Switzerland and Austria were successfully connected into the Link Up Markets infrastructure. In June 2009, a new link was established with VP Securities Services, providing German customers with access to the Danish market through Clearstream Banking Frankfurt.

Based on the New German Settlement Model introduced in November 2003, the last step was taken in eliminating reverse settlement risk and removing it entirely from national securities settlement. In November 2009, the second stage of the New Daytime Processing project was implemented. The company has thereby fulfilled the requirements of the EU Settlement Finality Directive aimed at preventing reverse settlement risks. Cash processing for payments not resulting from securities settlement transactions was separated from cash processing for securities settlement in daytime processing, further reducing processing risks.

Based on the ECSDA/ESF (European Central Securities Depository Association/European Settlement Forum) initiatives and general market requirements, Clearstream extended its securities settlement service as from 23 November 2009 to include the matching of securities transactions free of payment (FoP). This represented a further step in the direction of a European standard, going hand in hand with the harmonization and standardization of the international securities market. The introduction of FoP matching at CBF will make a considerable contribution to preventing incorrect delivery of securities.

The Taxbox platform introduced by CBF at the beginning of 2009 (an application for forwarding of tax-relevant data between banks in connection with the new withholding tax (*Abgeltungssteuer*)) is used by around 80 customers. Two technical extensions to the system were introduced over the course of the year to meet customer requirements. These involved adjustments to the validation of data passing through CBF and the introduction of new selection criteria for online queries.

CBF customers also benefited from service improvements to the Creation settlement platform in 2009 for the settlement of their securities held with foreign depositories. In particular, this meant an extension of real-time settlement to 21 hours per settlement day, and the introduction of a new hold/release function and a transaction linking service for securities settlement.

The necessary steps were instigated in 2009 to add four European markets and one South American market to the international depository network (Creation settlement platform). Including the Bulgarian, Romanian, Latvian, Lithuanian and Brazilian markets, there is a total of 50 markets available for the settlement of national securities.

As in previous years, intensive discussions were conducted with customers on issues of day-to-day business and potential developments. Abundant use was made of Clearstream Banking Frankfurt's ability to provide representation at national conferences (including meetings of the Vereinigung für Bankbetriebsorganisation) and international conferences (including SIBOS).

In addition to the existing bodies with customer representation, such as the CBF Advisory Board and the Domestic User Group, Clearstream initiated another forum. To provide a platform for the exchange of information and for identifying critical points and inefficiencies, high-ranking representatives from the securities industry meet for roundtable discussions. The objective is to work together to strengthen the competitiveness of the German securities settlement market. The initiative has proceeded very well and has the firm support of the banks taking part. There is a strong desire to bring lasting improvement to the existing infrastructure in the German market and thereby to prepare the market for challenges it will face in a harmonized European environment and in the context of T2S settlement. In 2009, four meetings took place, with 12 banks taking part. A further five meetings are planned for 2010.

In the year under review, progress was made on restructuring the schedule of prices, and transparency and comparability were significantly enhanced. In this context, Clearstream has passed considerable price reductions on to its customers.

As part of the group-wide restructuring and efficiency program, Clearstream continued to work through Clearstream Banking Frankfurt and Luxembourg on the Nearshoring project launched in 2007; the aim of the project is to shift certain operational processes (with the exception of IT processes) from the Luxembourg and Frankfurt locations to an additional operational location in Prague. Following the establishment of Clearstream Operations Prague s.r.o., a subsidiary of Clearstream International, and some initial relocation of processes in 2008, further processes were transferred according to plan in 2009. The management of Clearstream Operations Prague s.r.o. was strengthened by the appointment of a second general manager of Czech nationality. Through proper preparation and management of the relocation process, it was ensured that the service quality offered by Clearstream Operations Prague s.r.o. is on a par with that of Clearstream Group as a whole.

In July 2009, as part of a restructuring within Deutsche Börse Group with the aim of building further on the group's strong credit rating profile, Deutsche Börse AG transferred 51 % of the shares in Clearstream International S.A. to Clearstream Holding AG (previously Deutsche Börse Dienstleistungs AG). This wholly owned subsidiary of Deutsche Börse AG thus indirectly holds a majority stake in Clearstream Banking Frankfurt. The new ownership structure means that the excellent rating enjoyed by the Clearstream companies can be decoupled to a greater extent than before from that of Deutsche Börse AG.

As a result of the transfer of this stake, Clearstream Holding AG is now the financial holding company and, with the previous Clearstream subgroups, now constitutes a new group for supervisory purposes, regulated by the German Federal Financial Supervisory Authority (BaFin).

In the international trade magazine Global Custodian, the service provided by Clearstream Banking Luxembourg, which does identical work to Clearstream Banking Frankfurt in the settlement of international trades, was judged to be outstanding again in 2009 in the annual customer survey. The product and service offering scored higher than the competition in all categories. Clearstream was also the only international central securities depository (ICSD) to be awarded a best in class rating in all categories.

Business performance in the year under review

The 2009 financial year was a satisfactory one for Clearstream Banking Frankfurt in view of the difficult market environment. Core business was down again. However, Global Securities Financing recorded significant growth. Efficiency measures, income from the writing back of restructuring provisions, bonus reductions and a reduced tax charge helped to ensure an annual profit slightly above the previous year's despite significantly lower net interest and commission and fee income.

Securities in collective custody

Increase in custody volume

The market value of securities in circulation held in collective custody increased by 2.6 percent, from EUR 5,465.0 billion as at the end of 2008 to EUR 5,604.6 billion as at 31 December 2009. Whilst the value of bonds in custody rose by 5.6 percent, the value of shares in custody fell 0.3 percent.

Reduced number of transactions

The number of chargeable transactions settled (counted on both sides) fell 15.2 percent against the previous year to 72.1 million. This means that, on average, 280,443 transactions a day for completed securities trades and executed securities transfers were booked. Of the total number of transactions, 31.8 million (2008: 40.4 million) were accounted for by stock exchange trades, 14.5 million (2008: 16.0 million) by CCP settlement and 25.8 million (2008: 28.6 million) by off-exchange trades.

More security classes in collective custody

The number of securities issues received into collective custody rose 2.8 percent in 2009 on account of continued strong issuing activity. As at the end of 2009, Clearstream Banking Frankfurt held a total of 519,840 different security classes in custody for its customers (end of 2008: 505,653). These were made up of 105,235 bonds (end of 2008: 103,386), 15,550 shares, investment units and participation certificates (end of 2008: 14,161), and 399,055 warrants and certificates (end of 2008: 388,106, incorrectly posted as 403,737 in the previous year because of a calculation error).

Fewer custody accounts

The number of customers using Clearstream Banking Frankfurt's collective custody was 330 as at the end of the year (end of 2008: 337). The number of German customers fell to 206 (end of 2008: 219), whilst the number of foreign account holders rose to 124 (end of 2008: 118). The total number of accounts (foreign and domestic account holders) fell to 1,300 over the year (end of 2008: 1,345).

Fall in cross-border settlement with foreign central securities depositories

Cross-border settlement between Clearstream Banking Frankfurt and foreign CSDs dropped 15.0 percent in 2009 against 2008, from 368,694 to 313,635 transactions.

Securities with foreign depositories

Rise in custody volume

As at the end of December 2009, the volume of securities held with foreign depositories was 4.9 percent above the figure for the previous year. The market value of the securities in custody was EUR 743.8 billion (end of 2008: EUR 708.8 billion).

Reduced number of transactions

The number of transactions in foreign securities settled (counted on both sides) dropped 6.9 percent against 2008 to 10.6 million transactions. Of these, 7.5 million (2008: 8.1 million) were stock exchange transactions and transfers within the system, and 3.1 million (2008: 3.2 million) were OTC transactions settled abroad.

Rise in foreign security classes

The number of foreign security classes increased in 2009 by 6.4 percent to 52,742.

Rise in customers and custody accounts

As at the end of December 2009, Clearstream Banking Frankfurt maintained 977 custody accounts in non-domestic business. That is 3.9 percent more than in December 2008. The number of customers rose over the same period by 5.2 percent, from 191 to 201.

Securities held in vaults

Further reduction in security certificates in custody

As expected, the number of physical certificates held in safekeeping in the vaults fell further, i.e. the trend towards certification of new issues in the form of indefinite global certificates continued in 2009. As at 31 December 2009, Clearstream Banking Frankfurt held 49.7 million certificates in its vaults (end of 2008: 57.5 million).

Number of certificates deposited and delivered

In 2009, a total of 2.0 million certificates (2008: 2.6 million) were deposited by our customers for collective custody; 9.8 million certificates (2008: 8.4 million) were delivered to customers. This does not include new issues and the delivery of maturing securities.

Global Securities Financing (GSF)

For Global Securities Financing (GSF) and the liquidity and collateral services provided by Clearstream Banking Frankfurt, 2009 was another year of extraordinary growth. The volume of collateral dealt with by Clearstream Banking Frankfurt in 2009 was more than EUR 350 billion, representing an increase of over EUR 100 billion within 12 months.

Staff

For the 2009 financial year, the number of staff at Clearstream Banking Frankfurt was 360 as at 31 December 2009. On average for the 2009 financial year, 361 staff were employed by Clearstream Banking Frankfurt.

Over the course of the 2009 financial year, 22 staff left Clearstream Banking Frankfurt, making for a fluctuation rate of 6.1 percent.

The age breakdown for staff as at 31 December 2009 is as follows:

Age range	Number of staff	Percent
< 30 years	17	4.7%
30 - 39 years	92	25.5%
40 - 49 years	173	48.1%
> 50 years	78	21.7%
Total	360	100%

The length of service for staff as at 31 December 2009 was as follows:

Length of service	Number of staff	Percent
< 5 years	48	13.3%
5 - 15 years	190	52.8%
> 15 years	122	33.9%
Total	360	100%

As at 31 December 2009, the proportion of graduates at Clearstream Banking Frankfurt was 33.1 percent. This proportion is made up of the number of staff with a degree from a university or equivalent higher education establishment in Germany or abroad.

The average number of training days at Clearstream Banking Frankfurt was 1.40 per member of staff.

Results of operations, financial position and net assets

The total applicable ratio as per the Solvency Ordinance was between 13.8 % and 16.3 % based on end-of-quarter values. The range of fluctuation was significantly lower than in previous years. Fluctuation results essentially from the high volatility of our balance sheet. Over the course of 2009, this volatility fluctuated less than in previous years, and the balance sheet total tended to be toward the lower end of the figures for previous years. The liquidity ratio (as per the Liquidity Ordinance) is well above the minimum requirement and fluctuates between 2.1 and 2.8 based on end-of-month values. This demonstrates the company's sound liquidity position. We have access to refinancing at any time through our affiliated company Clearstream Banking Luxembourg.

Net interest income was heavily influenced by low interest rates. A lower average total for customer deposits (2009: EUR 470 million; previous year EUR 556 million) also played its part in reducing net interest income. Thus, in 2009, net interest income was only TEUR 19,030 (previous year TEUR 33,087). Income from interest fell to TEUR 80,516 (previous year TEUR 110,256) and interest expenditure dropped to TEUR 61,485 (previous year TEUR 77,169).

Net commission and fee income was down from TEUR 241,685 in 2008 to TEUR 222,681 in 2009. Income from commissions and fees fell 4.4 % to TEUR 274,048 (previous year TEUR 286,624). Commission and fee expenditure increased 14.3% to TEUR 51,367 (previous year TEUR 44,939).

In collective custody business, custody account fees were at the same level as in the previous year, whilst transaction fees saw a considerable drop of 31.5% on the figure for 2008. Business in securities with foreign depositories was down on 2008, both in terms of custody account fees, which fell 8.6 %, and transaction fees, which dropped 10.7 %. Other commission and fee income, however, was very positive, recording a rise of 34.9% against the previous year. This includes income from the securities lending service, which also posted a gratifying increase, rising 49.4 %.

Other operating income increased by 95.8% to TEUR 31,246 (previous year TEUR 15,956). This includes income from the writing back of restructuring provisions to the tune of TEUR 9.219, and TEUR 7,067 in income not related to the accounting period resulting from the termination of insurance.

Staff expenditure increased 11.1 % to TEUR 43,108 (previous year TEUR 38,817). Whilst expenditure for wages and salaries was 5.8% down on the previous year, adjustments to pension provisions, deviating by TEUR 4,766 from the previous year's figure, and higher expenditure for early retirement, were dominant factors in higher staff expenditure overall. The increase in this expenditure was the result essentially of a reduction in the discount rate from 6.25 % in the previous year to 5.3 %, whilst the fall in wages and salaries is largely attributable to reduced expenditure on share-based remuneration. Other administrative expenditure was further reduced, dropping 4.7 % to TEUR 94,024 (previous year TEUR 98,695). This mainly involves expenditure on external services and work amounting to TEUR 77,486 (previous year TEUR 81,833). The change is predominantly due to lower costs for settlement fees in the context of the provision of services by Clearstream Services S.A.

The result for normal business activity was down from TEUR 132,810 in 2008 to TEUR 127,428 in 2009. The relocation from Frankfurt to Eschborn further reduced the tax ratio. The annual net income for the company thus rose to TEUR 92,150 (previous year TEUR 90,381).

Return on equity fell from 53.6 % in 2008 to 51.1 % in 2009.

Risk report

Insofar as is permitted under supervisory rules, Clearstream Banking Frankfurt is included in the Group-wide risk management of Deutsche Börse AG. The risk management system, as set out in the Group Risk Management Policy, has the purpose of ensuring that all threats and causes of potential loss and disruption are properly identified in good time, centrally recorded, assessed and reported, such that suitable measures can be taken and the risks adequately controlled.

The risk strategy of Clearstream Banking Frankfurt is based on its business strategy and determines the maximum risk that may be entered into in every business activity. This is done through the stipulation of conditions for risk management, control and limitation. The company pays particular attention to risk mitigation, and ensures that appropriate measures are taken with a view to avoiding, reducing and transferring risks and to entering into risks with full knowledge. The aim is, through suitable protective and controlling measures, such as guidelines and procedures, separation of functions, peer review, limit restrictions, and through business continuity management, to reduce the frequency and amount of loss for Clearstream Banking Frankfurt. In addition, potential loss is further limited through a targeted insurance portfolio.

The Executive Board of Clearstream Banking Frankfurt is responsible for the management of all risks. Clearstream Banking Frankfurt's risk management structure is decentralized. The decentralized departments are responsible for identification of risks, and report these risks swiftly to Group Risk Management, a central office with company-wide authority. Group Risk Management assesses all existing and new risks. Group Risk Management also reports regularly and on an ad hoc basis if required to the Executive Board and the Supervisory Board of Clearstream Banking Frankfurt. Risk control is performed in the relevant decentralized departments, i.e. where the risks occur.

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

Clearstream Banking Frankfurt pursues a standardized approach for measuring and reporting all operational, financial and business risks, applying the widely used concept of "value at risk" (VaR). The purpose of this concept is to show overall risk appetite, expressed in a comprehensive and easily understood way, and to facilitate the prioritization of risk management actions.

The VaR quantifies existing and potential risks. It denotes the maximum for cumulative loss that Clearstream Banking Frankfurt could face if certain independent loss events occurred over a specific time horizon with a given frequency. Clearstream Banking Frankfurt's models for management VaR are based on a period of one year, a confidence level of 99 percent and the assumption of uncorrelated events.

Conversely, this means that there is a 1 percent probability of a loss incurred through one or more incidents within the next year which, in total, will be equal to or greater than the management VaR calculated. The regulatory VaR is calculated at a confidence level of 99.9 percent to determine the Basel II regulatory capital requirements.

In addition to the VaR calculations described, Clearstream Banking Frankfurt performs stress test calculations for credit risk with a view to continually reviewing risk-bearing capability.

In order to determine whether Clearstream Banking Frankfurt can bear the risk of a possible loss, the management VaR calculated is compared against the current EBITA forecast (EBITA is calculated on the basis of Clearstream Banking Frankfurt's financial results determined in conformity with IFRS rules). As at 31 December 2009 and throughout the year under review, the management VaR of Clearstream Banking Frankfurt was less than the current EBITA forecast.

The results of the VaR calculations are fed into a reporting system which allows risks to be managed. As well as quantified risk, the reporting also includes qualitative information. Risk-relevant themes are explained in detail and their influence on Clearstream Banking Frankfurt's risk profile and possible countermeasures described. Risk reporting to the Executive Board of Clearstream Banking Frankfurt takes place monthly and on an ad hoc basis if required. Reporting to the Supervisory Board of Clearstream Banking Frankfurt takes place quarterly.

Internal Auditing ensures through independent audits that risk control and risk management functions are adequate. The results of these audits are also fed into the risk management system.

The following sections describe the relevant individual risks in more detail.

Operational risks

Operational risk encompasses potential losses resulting from inadequate or defective systems and internal processes, from human or technical failure, from inadequate or defective external processes, from damage to physical assets as well as from legal risks and risks associated with business practices. The main operational risks for Clearstream Banking Frankfurt are related to disruption to or incorrect delivery of its core products. These include, in particular, clearing and settlement systems such as CASCADE.

(a) Availability risk

Availability risk results from the fact that resources essential to Clearstream Banking Frankfurt's service offering could fail, making it impossible to deliver services on time or at all. This risk therefore constitutes one of the most critical for Clearstream Banking Frankfurt. Possible triggers include hardware and software failure, operator and security errors and physical damage to the data centers.

Clearstream Banking Frankfurt counters availability risk through intensive activities in the area of business continuity management (BCM) in particular. BCM encompasses all the processes that ensure business continues as normal, even if a crisis occurs, and therefore substantially reduces availability risk. It covers arrangements for all the key resources (systems, premises, staff, suppliers/service providers), including the redundant design of all critical IT systems and technical infrastructure, and backup workspaces for staff in core functions in all the main operational centers. These BCM arrangements are regularly tested with reference to the following three aspects:

- Functional effectiveness: validate that the arrangements are technically in working order
- Execution ability: ensure that staff are familiar with and knowledgeable in the execution of the plans and procedures
- Recovery time: confirm that the plans and procedures can be executed within the defined recovery time

(b) Service deficiency

Service deficiency encompasses risks which may arise if a service for customers of Clearstream Banking Frankfurt is inadequately provided, e.g. as a result of product and process failures or processes carried out incorrectly. Despite all the automated systems and efforts aimed at delivering straight-through processing (STP), manual work is still required. Therefore, in certain business segments such as custody business, Clearstream Banking Frankfurt continues to be exposed to the risk that customer instructions will be incorrectly handled. In addition, manual intervention in market and system management is necessary in special cases.

In the year under review, sustained improvements were again made to reduce the possible risk of processing errors – either through a reduction in the amount of manual intervention necessary or through better protection thereof. Losses occurring as a result of processing errors are more frequent than losses resulting from the non-availability of resources. No significant losses occurred as a result of processing errors in 2009.

(c) Damage to physical assets

This category includes the risks due to accidents and natural hazards as well as terrorism and sabotage. No losses occurred as a result of damage to physical assets in 2009.

(d) Legal risks and risks associated with business practices

Legal risks include losses that arise as a result of non- or inappropriate compliance with new or existing laws, losses from inadequate contract terms or from court decisions not adequately observed in customary business practice, as well as risks from fraud. Risks associated with business practices include losses resulting from money laundering, violations of competition regulations, or breach of banking secrecy. Clearstream Banking Frankfurt has established a Group Compliance office with responsibility for protecting the company against any prejudice that may result from failure to comply with applicable laws, regulations and standards of good management practice, with a particular focus on the following areas:

- Prevention of money laundering and terrorist financing
- Compliance with professional and banking secrecy
- Prevention of insider dealing
- Prevention of market manipulation
- Prevention of fraud
- Prevention of conflicts of interest and corruption
- Data protection

No losses occurred in the year under review as a result of legal risks or risks associated with business practices.

Financial risks

Clearstream Banking Frankfurt is exposed to financial risks mainly in the form of credit risks in the context of credit and cash investment business, and market risks from cash investments and in the context of contractual trust arrangements (insolvency-proof fund assets related to Clearstream Banking Frankfurt's existing pension plans). There are also liquidity risks to a very limited extent. Exposure to the above risks is mitigated through the existence of effective control measures.

(a) Credit risk

Credit risk consists in the risk that a counterparty will default and not be able to meet its liabilities towards Clearstream Banking Frankfurt in full or at all.

Clearstream Banking Frankfurt extends loans to its customers to increase the efficiency of securities transaction settlement. However, these lending operations cannot be compared with those of other credit institutions, as the loans extended by Clearstream Banking Frankfurt are almost exclusively short-term and for settlement purposes only, and are largely collateralized and granted to customers with very good credit ratings. In the year under review, the change to daytime settlement in domestic business meant that the previous option of indirectly linking customers without a Target 2 account to the settlement system by granting irrevocable and collateralized overnight loan commitments was discontinued, further reducing credit business.

Other credit risks arise in the investment of the liquidity reserve and fixed assets. The company has a treasury policy which defines the framework for investments on the part of the Treasury department. As part of Clearstream's group liquidity management, Clearstream Banking Frankfurt places cash over night with Clearstream Banking Luxembourg. The liquidity reserve is invested exclusively in government bonds or secured bonds/notes from issuers with a first-class credit rating.

In 2009, no losses were incurred in any of the types of transaction described.

(b) Market price risk

Market price risks can arise in connection with cash investments as a result of fluctuations in interest rates and foreign exchange rates. Share price risks arise to a limited extent through investment in a special fund which is assigned to fixed assets. Clearstream Banking Frankfurt does not generally enter into currency positions. Customer funds in foreign currencies are matched by roughly equal amounts in nostro accounts. Open positions from foreign exchange spot transactions with customers are closed on the same day by corresponding offsetting transactions with Clearstream Banking Luxembourg. Liquidity reserve cash investments are generally made only in euros. Open currency positions occur only in the case of the investments within the special fund mentioned, for the purpose of achieving suitable returns on long-term cash investments. Such positions are limited by stipulations in the investment guidelines, are further limited to a partial extent by corresponding hedging transactions, and do not involve major sums.

(c) Liquidity risk

Clearstream Banking Frankfurt is exposed to liquidity risk in that it may lack sufficient liquidity to meet its daily payment obligations or incur increased refinancing costs in the event of liquidity bottlenecks. Daily and intraday liquidity are monitored by the Treasury section and managed with the help of a limit system. Extensive credit lines are available to provide cover in extreme situations. In the year under review, Clearstream Banking Frankfurt had a liquidity surplus at all times, so no liquidity bottlenecks occurred.

(d) Regulatory requirements

The risk from regulatory requirements encompasses losses which may arise from non-compliance with regulatory ratios.

Clearstream Banking Frankfurt must meet the regulatory equity and liquidity requirements. These were met at all times in 2009.

Business risks

The business risk reflects the relative sensitivity of the company to macroeconomic developments and its vulnerability to event risk arising from external threats. Risk in this case is expressed as a negative deviation from expected EBITA.

Clearstream Banking Frankfurt's financial performance is directly and indirectly subject to the evolution of a number of macroeconomic factors (e.g. interest rates, gross domestic product growth, index values, index volatility). The resulting potential overall downside is relatively limited thanks to a broad range of products covering custody and settlement business, securities financing business and operations in both the domestic German market and international markets. However, it cannot be ruled out that the financial performance of Clearstream Banking Frankfurt will develop negatively as a result of the current financial situation and the expected deterioration of the macroeconomic environment

The company's financial performance may also be impaired by external threats. These might be either endogenous changes to market structure and the business environment or exogenous changes such as the evolution of the regulatory environment. Clearstream Banking Frankfurt, in conjunction with the relevant offices within Deutsche Börse Group, monitors developments very closely so as to be able to instigate steps to mitigate risk at an early stage.

Project risks

Project risks can arise as a result of project implementation (launch of new products, processes or systems) which may have a significant impact on one of the three other risk categories (operational, financial and business risks). These risks are assessed by Group Risk Management as described above and are addressed in the early stages of major projects. None of the projects planned and implemented in 2009 triggered a change in the overall risk profile of Clearstream Banking Frankfurt. Risks connected with the delivery of projects, such as budget risk, quality/scope risk or deadline risk, are monitored and reported on a decentralized basis. None of these potential risks resulted in negative consequences for the company in the 2009 financial year.

Summary

In the 2009 financial year, Clearstream Banking Frankfurt identified all new risks that arose at an early stage and took appropriate measures to counter these risks. As a result of these measures, the risk profile of Clearstream Banking Frankfurt did not change significantly.

Outlook

Clearstream Banking Frankfurt evaluates its risk situation on an ongoing basis. From the present point of view, the Executive Board sees no significant change to the risk situation nor any resulting threat to the continued existence of Clearstream Banking Frankfurt.

Further enhancements to the risk management systems are scheduled for 2010. For example, the company plans to use higher confidence levels to calculate group-wide VaR figures, and to add further strength to the IT infrastructure for risk management.

Branch offices

The company has no branch offices.

Report on post-balance sheet date events

No events occurred of particular importance after the close of the 2009 financial year.

Report on expected developments

The report on expected developments describes the anticipated development of Clearstream Banking Frankfurt in the 2010 and 2011 financial years. It contains statements and information on events in the future based on the company's expectations and assumptions at the time of publication of this report on expected developments. These expectations and assumptions are in turn subject to known and unknown risks and uncertainties. Numerous factors influence the success, business strategy and financial results of the company. Many of these factors are outside the company's control. Should one of the risks or uncertainties materialize or one of the assumptions made turn out to be incorrect, the actual development of the company could deviate in either a positive or a negative way from the expectations and assumptions contained in the forward-looking statements and information in this report on expected developments.

The company assumes that the volume of bonds issued internationally will rise further in 2010, and that increased issuing activity can also be expected in the domestic market. With respect to its customer base, the company assumes that consolidation in the financial sector will continue and that customers in domestic and international business will merge. The resulting larger-sized customers will be granted larger discounts, which is likely to lead to a fall in average fees. Because Clearstream Banking Frankfurt is subject to particularly intense competition in the settlement and custody of international bonds, there may also be loss of market share and thus a reduction in commission and fee income. However, over the period covered by this report on expected developments, the company does not expect significant loss of market share.

In budget planning for the 2010 financial year, a rise in the volume of bonds issued internationally and increased issuing activity in the domestic market were assumed. In the planning for revenues in the settlement business, which is essentially dependent on turnover in the equity markets, an increase was factored in for both national and international activities. However, higher growth rates are expected in international operations.

Based on continued active cost management, Clearstream Banking Frankfurt anticipates a further reduction in overall costs in 2010. The relocation of processes to our affiliated company in Prague - the Nearshoring project planned back in 2007 - will be completed in 2010 with business transfers 4 and 5, making a considerable contribution to the efforts to reduce costs.

Deutsche Börse AG launched a focused program for Deutsche Börse Group at the end of 2009 aimed at identifying potential for significant and sustained cost reductions within the Group. In the context of this "Excellence" program, three initiatives were investigated. On 16 February 2010, the parent company DBAG announced that the aim was to optimize the management structure, to implement reductions in materials costs in the near term, and to look into structural improvements in operational models and processes.

Clearstream Banking will give its attention to the different initiatives and participate in shaping and implementing them in the course of 2010.

In the period covered by this report on expected developments, the company foresees no negative consequences for its financial performance arising from T2S, the securities settlement platform planned by the European Central Bank. This assessment is based on two facts. Firstly, there is currently only a provisional project plan in which introduction is not envisaged until 2013 at the earliest. Secondly, the Eurosystem has recognized that the decision in July 2008 to implement the T2S platform in 2013 still entails a risk for the Eurosystem that the platform may not be used to the extent intended. Thus, in the course of 2010, the Eurosystem intends to obtain reassurance, in the shape of a legally binding declaration of intent from central securities depositories to use the platform when it comes into operation. Only then will the Eurosystem decide on final implementation of T2S. Clearstream will continue to provide constructive support for T2S, as it complements Clearstream's group strategy based on expanding value-added services, and because Clearstream will retain its optimal positioning in the future competitive environment with the combination of XBS (cross border services) and TARGET2-Securities.

The aim of Clearstream's XBS strategy is to position itself, through partnerships and interoperability, as a central European hub for cross-border securities settlement in central bank money. This strategy will allow Clearstream, as a provider of cross-border services,

to offer an attractive fee model for cross-border securities delivery and follow-up custody activities

to place a focus on certain international markets

to handle large cross-border settlement volumes for its customers using a standardized procedure (straight-through processing (STP)).

By implementing XBS, CBF will be making use of its strength in the national market in processing high STP volumes, and extending its market coverage.

Global Securities Financing (GSF) will be directly affected by developments on the financial markets and, in particular, by the ECB's money market policy in the coming months. Depending on the ECB's interest and collateral strategy, there will be adjustments to our customers' money market strategy in 2010. The broad GSF product positioning, the planned additions in the GC Pooling segment, the general trend towards collateralization (away from traditional unsecured money market trading), and growing sensitivity with respect to equity-relevant activities of our customers, combine to ensure a solid basis for further growth in 2010. Budget planning foresees strong revenue growth for GSF.

Clearstream Banking Frankfurt expects net interest income in the period covered by this report on expected developments to decrease in comparison to the 2009 financial year because of falling interest rates, especially in the euro and the US dollar, while customer cash deposits remain more or less constant.

Significant measures planned for 2010 with a view to expanding the product range are

the expansion of CBF services in the area of cross-border securities settlement services, in particular:

- a switch of CSD links with the French, Belgian and Dutch markets to delivery-versus-payment (DvP) settlement

- ongoing improvements and extensions to the range of services for existing CSD links with the Swiss and Austrian markets, particularly with regard to the settlement of new types of transaction and improvement to acceptance times

- setting up an improved CSD link to the Spanish market: introduction of settlement against payment and inclusion of new types of securities

- support for the consolidation of external links into the German market, particularly for CSD participants in Spain, Greece, Denmark and Cyprus

In addition, further developments are planned in conjunction with Clearstream Banking Luxembourg which will expand on services in securities administration and optimize the relevant processes.

As in previous years, further program improvements have been put in place on the two settlement platforms (CASCADE and Creation). These program changes / additions will play a significant role in enhancing customer satisfaction, achieving the cost reduction goals and implementing straight-through processing (STP).

The European Commission is currently working hard on tightening regulation of market infrastructure organizations. These activities are primarily aimed at derivatives business, but also include proposals on the regulation of central securities depositories. Clearstream Banking Frankfurt has taken part in the project activities in this connection within Deutsche Börse Group, and is involved in providing regular advice and support for these regulatory measures through its Executive Board members. Concrete proposals from the EU Commission are expected at the end of the first half of 2010.

Clearstream Banking Frankfurt is also providing advice and support, in common with the other companies in Deutsche Börse Group, for the current regulatory process aimed at adjusting the international / European framework for credit institutions. Through the revision of the relevant EU directives (CRD – Capital Requirements Directive) and the resulting CRD II package, appropriate regulation has been achieved for securities settlement as part of the updated regulations on large exposures. These are to be ratified in national law in the course of 2010. In addition, the company will provide active advice and support over the course of the next few years in relation to the other packages of measures currently being discussed, both at EU level (CRD III – CRD V) and in the shape of fundamental revision of the Basel framework (currently Basel II) by the Basel Committee on Banking Supervision with a view to setting new (Basel III) standards.

In the course of 2010, the plan is to move most staff into the building of the parent company Deutsche Börse AG, thus bringing together under one roof most of the staff from the current location in Frankfurt am Main and the staff from the temporary premises in Eschborn.

For 2010, the company expects a good overall result, slightly below the 2009 result, in a difficult market environment.

The 2010 result will also be affected by the switchover in accounting rules under the German Accounting Law Modernization Act (BilMoG), with the change in valuation methods for provisions in particular likely to bring a one-off increase in expenditure. The company does not intend to make use of the optional rule for self-constructed intangible assets and deferred tax assets.

Closing declaration pursuant to section 312 of the German Stock Corporation Act (AktG)

In accordance with section 312 of the German Stock Corporation Act, a report has been drawn up on relations with affiliated companies. Our report closes with the following declaration:

"In every legal transaction with affiliated companies, our company received appropriate counter-performance according to the circumstances which were known at the time, in which the legal transactions were effected, or the measures undertaken or omitted, and was not disadvantaged by the undertaking or omission of the measures."

Frankfurt/Main, 26 February 2010

Clearstream Banking AG

The Executive Board

Stefan Lepp Mathias Papenfuß Katja Rosenkranz Andreas Wolf

Auditor's report

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 2009. 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 books and 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.

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, 3 March 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

signature	signature
Bernhard	Hommel
Wirtschaftsprüfer	Wirtschaftsprüfer