STANDARD
&POOR'S

DekaBank Deutsche Girozentrale

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CREDIT RATING

	A/Stable/A-1

Outstanding Rating(s)

Counterparty Credit	A/Stable/A-1
Certificate of deposit	A/A-1
Senior unsecured	A
Commercial paper	
Local currency	A-1
Subordinated	
Local currency	A-
Short-Term debt	
Local currency	A-1
Senior secured	
Local currency	AAA

Credit Rating History

July 19, 2005	A/A-1
May 17, 2000	AA/A-1+

Sovereign Rating

Germany (Federal Republic of)	AAA/Stable/A-1+

Major Rating Factors

Strengths:

- Implicit support from owners as the central mutual-fund asset manager for the German savings banks sector
- Strong albeit weakened market position in the German mutual funds business
- Stable flow of commission income from the asset management business
- Sound quality of loan portfolio

Weaknesses:

- Below-average performance at some flagship mutual funds with ongoing outflows
- Remaining exposures to the difficult German real estate market weighs on risk profile, but portfolio sales transactions are regarded as likely
- Modest franchise, profitability, and outlook of its wholesale banking business
- Reliance on wholesale funding

Rationale

The counterparty credit ratings on Germany-based DekaBank Deutsche Girozentrale (DekaBank) continue to be based on the expectation of ongoing implicit support from its owners, savings banks and Landesbanks, as Standard & Poor's Rating Services regards DekaBank as an integral part of the German savings banks sector due to its role as their central mutual-fund asset manager. DekaBank has a strong, albeit weakened, market position—with EUR141 billion in assets under management (AuM) at Dec. 31, 2005, it remains the second-largest provider of investment funds in Germany. It continues to generate a stable flow of commission income, relatively independent from the performance of capital markets and new business. Asset quality in its wholesale banking activities, which mainly focuses on lower risk lending, has remained sound.

Ongoing interest of property investors is expected to allow DekaBank to finally restructure a previously poorly performing real estate mutual fund. As long as the planned sales of a major part of the fund's assets have not materialized, DekaBank's risk profile remains burdened by direct and indirect exposures to the difficult German real estate market, resulting from original measures to guarantee the liquidity of the ailing fund. As evidenced by the continuous loss of market shares in traditional mutual funds products since 2000, particularly in the new business, the reputation of the 'Deka' brand has suffered among the savings banks and their retail customers in recent years. This is mainly due to the below-average performance of some flagship mutual funds, somewhat weakening DekaBank's historically strong asset-management franchise. Increasing volumes of fund-based wealth management under the 'Deka' label and in the sales of cooperation partners' funds have only partly compensated this trend.

The 'AAA' ratings on DekaBank's public sector (Öffentliche) Pfandbriefe continue to be based on the quality of the collateral coupled with protections afforded by German insolvency and banking laws, and the underlying cash in- and outflows, which are subject to Standard & Poor's regular surveillance.

Benefits from the diversification into wholesale banking, which focuses on opportunistic low-margin long-term lending to above-average rated borrowers and on volatile treasury income, are likely to decline in the coming years, as DekaBank's franchise has remained modest. Given the reliance on wholesale funding, this business is susceptible to higher refinancing costs due to the July 2005 loss of state guarantees in the medium term. Asset quality is expected to remain sound due to the bank's prudent underwriting procedures. The net release of risk provisions in 2006 is not deemed representative for the coming years, but risk costs should remain modest.

Increased efforts by DekaBank's new management team to re-strengthen its franchise by regaining the confidence of its distribution partners, enhancing the investment process, reducing the reliance on third-party expertise, and raising the proportion of 'Deka' funds in its structured products, are expected to bear fruit only over the longer term. Nevertheless, profitability is expected to show stable development. Commission income is mainly based on the volume of AuM, and fluctuations in the new business to date have only played a minor role, while DekaBank receives attractive margins from selling competitors' funds. For DekaBank to raise profitability to a significantly higher level, changes in the composition of AuM toward an increasing proportion of higher margin business is needed. This will require a sustainable and considerable improvement of its funds' performance. As Standard & Poor's expects that DekaBank can eventually solve the problems in its property fund business, profitability and capitalization in coming years should no longer be burdened by extraordinary support measures, as in 2004 and partly in 2005.

Capital strength is expected to remain sound, given the comparatively low capital requirements for the funds business—with the exception of needs to cover operational risks. Financial flexibility is constrained, however, due to difficulties raising equity at capital markets or from its owners.

Outlook

The stable outlook reflects Standard & Poor's expectation that the strain of previous support measures for the ailing property fund on DekaBank's financial and risk profile will abate in the coming months. Sales of assets should enable the fund to scale down its holdings, strengthen liquidity, and fully redeem fund certificates from DekaBank. Structural changes in the entire investment process should benefit DekaBank's asset management franchise, but lasting improvements in the performance of flagship funds are regarded as essential to reverse the trend of below-average new business and declining market shares. Given the modest profitability of DekaBank's wholesale banking business, which lacks a strong market position and customer franchise, activities are likely to lose in strategic importance. Closer cooperation between Landesbanks and its owner savings banks could limit DekaBank's strategic options and ultimately lower its revenue base.

DekaBank's successful restructuring would not automatically have positive rating implications, as existing ratings currently benefit, although only to a limited degree, from limited implicit ownership support. For a positive rating action to be considered, DekaBank would not only have to successfully finalize the restructuring of its real estate fund business by disposing of its holdings of both fund certificates and properties, but also demonstrate considerable improvements of its asset management franchise and profitability to raise its stand-alone creditworthiness above that of its diverse owners. Conversely, a failure to reduce remaining risks from real-estate exposure and further erosion of market position with resulting adverse effects on profitability would be viewed as negative.

Grandfathered Debt Ratings: 'AA/Negative/A-1+

DekaBank's obligations incurred between July 19, 2001, and July 18, 2005, and maturing between July 19, 2005, and Dec. 31, 2015, as well as any obligations issued until July 18, 2001, irrespective of their maturity, are grandfathered. The ratings on these obligations are supported by the grandfathered statutory guarantee (Gewährträgerhaftung) of eight German Landesbanks, which in turn benefits from the grandfathered Gewährträgerhaftung of the respective states. In the case of DekaBank, but in contrast to directly state-owned Landesbanks, Standard & Poor's relies less on indirect state guarantees, because such guarantees would not give creditors a direct claim on the state guarantors. The savings banks are also guarantors of DekaBank's grandfathered obligations.

The negative outlook on grandfathered debt obligations continues to reflect Standard & Poor's view that the agreement between the European Commission (EC) and the German federal government does not remove all uncertainties regarding timely payment. Although Standard & Poor's believes that the guarantors will not exploit the ambiguities in the wording of the laws, and will make payments in a timely fashion, the commitment of the owners might change over time, which would then lead to moderate ratings changes—most likely by one notch—for such grandfathered debt. This could happen if for example state governments decided to dispose of their stakes in the respective Landesbanks. Consequently, Standard & Poor's will continue to monitor the guarantors' ability and willingness to honor its obligations under the agreement. (For more

details see the article entitled "Credit FAQ Update: German Landesbanks' Unguaranteed Obligations; The Bottom-Up Approach," published on July 19, 2005, on RatingsDirect.)

Profile: Still Ranks As Second-Largest German Mutual Funds Manager

DekaBank is the central asset manager of the German savings banks and Landesbanks. At Dec. 31, 2005, the bank had total assets of EUR115 billion and employed 3,453 staff. DekaBank does not maintain a domestic branch network, but has international branches and subsidiaries in Luxembourg, Ireland, and Switzerland.

DekaBank's activities comprise two business lines, investment fund business and wholesale banking. With about EUR141 billion in AuM at year-end 2005, DekaBank still defends its position as the second-largest fund manager in Germany with a market share—measured by AuM—of about 18% among domestic public mutual funds and 7% among managed funds for institutional investors—mainly savings banks. DekaBank's fund business benefits strongly from its high retail market access, as products are almost exclusively sold by the about 14,400 branches of the savings banks.

Its wholesale banking business has a strong focus on standard, medium- to long-term lending to public authorities, public sector banks, and blue-chip corporations. In addition, DekaBank is entitled to issue Öffentliche Pfandbriefe.

Ownership And Legal Status: Equally 50% Owned By Savings Banks And Landesbanks

DekaBank is a public law credit institution and is 50% owned by the Deutscher Sparkassen- und Giroverband Körperschaft des öffentlichen Rechts (the German Savings Bank and Clearing Association; DSGVöK; not rated), while the other 50% is owned via a holding company by 10 German Landesbanks, which each hold different size stakes, ranging from 0.21% to 8.35%. DSGVöK is a public law institution and 100% owned by its members—12 regional savings banks and clearing associations (RegSGVs).

Grandfathering of guaranteed obligations incurred until July 18, 2005

Under Gewährträgerhaftung, the owners of DekaBank, with the exception of Bayerische Landesbank (A/Stable/A-1), Landesbank Hessen-Thüringen Girozentrale (A/Stable/A-1), Niedersächsische Bank (not rated), and, since Dec. 1, 2002, Landesbank Berlin (not rated), are jointly and severally liable to the bank's creditors if the creditors are unable to obtain full payment on grandfathered obligations from the bank's assets. Conflicting views exist on the interpretation of the legislative text with regard to timeliness, but Standard & Poor's believes that the owners and their grandfathering guarantors have a very strong incentive to meet the bank's obligations when they fall due. Gewährträgerhaftung is unlimited and includes all obligations, but terms and conditions of hybrid capital instruments, such as preference shares, Tier 3 debt, and silent partnership deposits (Stille Einlagen) may constitute a higher risk for investors, particularly with regard to timeliness of payments.

As a credit institution, DekaBank is subject to the provisions of the German Banking Act (Kreditwesengesetz, or KWG) and to supervision of the German Federal Financial Supervisory Agency (Bundesanstalt für Finanzdienstleistungsaufsicht, or BaFin). As a public law bank, it is under the governmental supervision of the federal minister of finance.

Strategy: Improvement In Customer Relationships And Investment Processes Needed

DekaBank concentrates on investment fund business, which generates more than two-thirds of operating revenues and a higher contribution to profits, and on wholesale banking. DekaBank covers the entire product range along the value chain in asset management. DekaBank's overall still strong market position is mainly attributable to the operational collaboration with savings banks in regard to the distribution of mutual funds and related back-office activities. While the stable and robust contribution of the bank's well-diversified investment funds operations is regarded as positive, Standard & Poor's remains skeptical of the long-term prospects of DekaBank's only moderately performing wholesale operations, which are vulnerable to higher funding costs due to the loss of guarantees.

Market share based on total mutual funds under management has seen a small but persistent decline to 18% at year-end 2005, having contracted 2% since 2000. Intense competition, increasingly from large foreign asset managers, and the ongoing unsatisfactory performance of some of DekaBank's flagship funds, particularly equity and real estate mutual funds, as well as the rise of competing products such as certificates, and an industry-wide trend to the open architecture distribution model are the main drivers behind this fall. Negative net cash outflows in 2004 and 2005 have made DekaBank's weakened market position more pronounced in new business, partly reflecting the problems of its real estate funds, which are expected to be resolved shortly.

DekaBank's growing focus on structured products has partly compensated these pressures, but the approximately one-third proportion of third-party funds in its funds of funds and mutual-funds-based wealth management offerings highlights the considerable reliance on know-how from partners. To turn-around the unsatisfactory trend in new business, further intensified coordination between DekaBank and the distributing savings banks and a considerably shortened roll-out period for new products in response to customer needs is essential, whereas enhancements of DekaBank's investment processes might take longer to sustainable improve the performance of flagship funds.

Standard & Poor's expects higher funding costs in the future and a less favorable interest rate environment to prompt DekaBank to review its wholesale business model, as it will become more difficult for low-margin lending to compete on price, while treasury activities have proven more volatile than anticipated. An increasing use of its capital market expertise in the lending business and better marketability of credit exposures might gradually lead to a more integrated business model, but synergies between the two currently clearly separate activities are regarded as limited, however.

Accounting: Application Of Fair-Value Option On Large Portion Of Assets And Liabilities Leads To Higher Earnings Volatility

DekaBank reported its financial statements in accordance with IFRS at year-end 2005 for the first time and has applied the fair-value option retrospectively since Jan. 1, 2005, on most assets, excluding loans. This conversion has not had an impact on Standard & Poor's assessment of DekaBank's financial profile given the stability of the dominant asset-management business. However, the adoption of IFRS and a more extensive use of the fair-value option compared with other banks has at least temporarily resulted in a higher level of reported earnings volatility, as a significantly higher proportion of assets and liabilities has become valued mark-to-market. In addition to the reported profits, Standard & Poor's also considers changes in DekaBank's revaluation reserve and the impact from fair-value changes of those assets and liabilities that are

not yet marked to market to gain a broader view of economic performance. With the gradual extension of the fair-value option to almost all assets and liabilities—with the exception of loans and related funding—reported and economic performance are expected to converge in coming years.

While equity has benefited from the disclosure of taxed hidden reserves, Standard & Poor's has always included these as core capital. In addition, hidden reserves in the bank's institutional fund portfolio, as a result of the use of the fair-value option, have increased retained earnings, although for a sizable proportion DekaBank has not yet realized them through the profit-and-loss statement. At the same time, notes to the balance sheet indicate a comparable amount of unrealized losses on assets and liabilities.

Risk Management: Risk Profile Expected To Improve

The planned material reduction of exposures to difficult German real estate markets is expected to significantly improve DekaBank's risk profile. Asset quality is expected to remain sound, while fluctuations in profitability caused by exposures to market risks should decline further.

Credit risks: Credit portfolio expected to remain sound

Standard & Poor's expects the quality of DekaBank's credit portfolio to remain strong, as it comprises mainly lower risk exposures. Prudent underwriting standards and adequate collateralizations have allowed provisioning needs to be kept low, with net releases of risks provisions in three—including 2005—out of four previous years. Two-thirds of DekaBank's credit portfolio, which has remained stable over the past five years, is dominated by mainly domestic public sector financings, including Landesbanks and savings banks. Remaining loans comprise (typically its own) fund refinancings as well as exposures to blue-chip companies that are well diversified across different industries. International exposures are concentrated in Western Europe and include participations in loan syndications (typically originated by the Landesbanks), while country risks due to emerging markets are mainly related to trade finance activities (typically guaranteed by Export Credit Agencies). Commercial real estate loans have been further reduced in favor of investments in retail portfolios.

Real estate risks: Window of opportunity to reduce exposures

Standard & Poor's expects that ongoing strong interest of mainly international commercial real estate investors could help DekaBank to largely dispose of its direct and indirect property investments, which were taken over as result of support measures for one poorly performing Germany-focused property fund since October 2004. To preserve its reputation as the largest provider of open-ended real estate investment funds in Germany, DekaBank assumed responsibility for the misselling of this product as almost risk-free in previous years by providing the fund's investors with a liquidity and performance guarantee of 2% until September 2006. If the planned sales transactions can be executed, DekaBank stands to benefit from the current opportunity of high demand even for lower quality commercial real estate, although prospects for property investments in Germany have only selectively improved.

Were the sale of most of the fund's weakly performing assets to go ahead, the need for additional value adjustments for DekaBank (following substantial revaluation losses in 2004 and 2005) could be eliminated.

Based on these expectations, and if significantly scaled down, the fund's liquidity position might be sufficient to fully redeem the EUR1.8 billion holdings of fund certificates on DekaBank's books at mid-year 2006.

Market risks: Further decline expected to reduce earnings volatility

DekaBank's balance sheet is geared toward public sector exposures, while interbank lending and bond investments have steadily increased in recent years. Standard & Poor's deems risk management as prudent, with interest rate risks from DekaBank's sizable treasury operations as the main risk factor. The bank controls market risks on a present-value and value-at-risk (VaR; 10-day holding period and 95% confidence level) basis. Stress tests and backtesting are carried out on a regular basis and stop-loss limits are also in place. Average interest rate risks (trading and banking book) increased to EUR30 million (EUR27 million in 2004), but were at all times less than 2.0% of adjusted common equity (ACE) in 2005, which Standard & Poor's assesses as modest. Market risks will probably further decline, as DekaBank aims to reduce earnings volatility as result of IFRS accounting. Equity risk is less important with an average VaR of EUR14 million in 2005.

Liquidity and operational risks: Operational risks play an important role in the fund business

DekaBank's funding is dominated by own issues and interbank deposits, followed by deposits from institutional investors and own mutual funds. Excess issuance ahead of the July 2005 withdrawal of state guarantees and less sensitive secured funding, particularly Pfandbriefe, have mitigated immediate implications from the loss of the guarantees. Liquidity is enhanced by the high quality of its liquid securities portfolio that could be either sold or used for repo transactions.

Performance problems at its mutual funds highlight the need to continuously review internal processes, product terms, and the risk of misselling, which the bank has now addressed. In addition, DekaBank focuses on operational risk stemming mainly from processing and human errors, as well as IT failures. DekaBank collects, qualifies, and analyses operational risk data in databases, performs self-assessments, and has set up business continuity procedures for critical processes.

Profitability: Ongoing Stable Operating Performance Expected

Standard & Poor's expects the dominant earnings contribution from DekaBank's asset-management activities to increase in coming years. Due to the diversified fund portfolio, commission income—overwhelmingly generated in the fund business—should continue developing steadily and relatively independent from potentially strong fluctuations of individual asset classes, such as equities. The comparatively low franchise value of DekaBank's wholesale business is reflected in thin lending margins and volatile earnings, mainly mirroring the changing interest environment for additional treasury income. Including the increase in hidden losses of assets and liabilities not yet recorded at fair value, reported pretax results of about EUR400 million considerably overstated the actual economic performance in 2005. Driven by the fund business and an improved treasury result, DekaBank, in Standard & Poor's view, is expected to achieve an economic pretax profit in the range of EUR400 million-EUR450 million in 2006. Future earnings are expected to gradually benefit from improvements in investment processes and better relations with the savings banks.

The planned reduction of exposures to the domestic commercial property market is expected to substantially mitigate or even eliminate risks of further extraordinary value-adjustments on real-estate-related assets. Due to DekaBank's generally low risk profile in the credit business, risk costs should remain moderate, although the favorable environment as highlighted by net releases of provisions in 2005 will probably not continue in the future. Investment needs for quality improvements in the fund business are likely to prevent efficiency gains, unless revenues benefit from strong capital market conditions.

Commission income accounted for 72% of revenues in 2005. It has shown a remarkable resilience despite DekaBank's weakness in new business and even in times of severe market stress in recent years. Fees for new money are generally directly channeled back to the sourcing savings banks, whereas only a minimal amount of management fees are performance based. As commissions are mainly based on average AuM, a changed composition toward a higher portion of lower margin bond and money market products at the expense of more attractive equity and property funds represents the highest risk to the assumed scenario of stable earnings. Given that DekaBank receives lucrative fee income, the growing proportion of third party funds under the 'Deka' brand in DekaBank's most successful offerings—fund-based wealth management products—might only have adverse repercussions on profitability in the long term, if DekaBank were to become dependent on outside expertise. A further slowdown of sales in its self-originated funds might ultimately weaken its still strong asset-management franchise.

The further narrowed interest margin—18 basis points (bps) in 2005—reflects DekaBank's modestly profitable wholesale business, which is currently under the bank's review for repositioning. The dominance of opportunistic lending in lower risk areas and a less favorable environment for treasury profits from mismatching are attributable for the decline, which might continue if funding costs rise further.

Capital: Improvements To Comfortable Levels Likely If Real-Estate-Related Problems Can Be Solved

DekaBank's capitalization of 8.3% measured by ACE-to-risk assets at year-end 2005 is regarded as sound, given that it includes a charge on the bank's core capital amounting to EUR344 million. The amount was originally deducted to provide for potential value-adjustments on assets of the ailing property fund in a worst-case scenario, which has become unlikely with the planned property sales. Provided that DekaBank can significantly reduce its direct and indirect real estate exposures, the ratio should rise to more than 10%. To the same proportion the adjusted total equity (ATE)-to-risk-weighted-assets ratio (10.3% at year-end 2005) would benefit, which includes hybrid capital issues in the form silent partnership certificates that qualify for Standard & Poor's ATE. Standard & Poor's will also monitor the development of existing unrealized losses on balance-sheet items and consider this effect in its assessment of capital strength.

Standard & Poor's expects DekaBank's capital strength to buffer the expected increase in regulatory capital requirements, driven by the Basel II inclusion of operational risk. Despite the comfortable position that will exist once the real estate fund problems are resolved, the bank's financial flexibility will to some extent remain constrained because DekaBank is unable to tap the capital markets or approach its owners for core capital. As its owner savings banks and Landesbanks are currently concentrating resources on intensifying their relationships, shareholders might instead demand a higher profit distribution, limiting its earnings retention capabilities.

Table 1

DekaBank Deutsche Girozentrale Balance Sheet Statistics

	--Year ended Dec. 31--						Breakdown as a % of assets (adj.)				
(Mil. €)	**2005**	**2004**	**2003**	**2002**	**2001**	-	**2005**	**2004**	**2003**	**2002**	**2001**
Assets											
Cash and money market instruments	441	1,144	3,504	4,012	2,147		0.38	0.98	3.49	4.45	2.64
Securities	41,758	41,754	34,955	26,537	22,982		36.36	35.90	34.78	29.47	28.24
Trading securities (marked to market)	7,342	4,759	0	0	0		6.39	4.09	0.00	0.00	0.00
Nontrading securities	34,416	36,995	34,955	26,537	22,982		29.97	31.81	34.78	29.47	28.24
Loans to banks (net)	49,015	48,346	38,563	36,415	32,554		42.68	41.57	38.37	40.43	40.01
Customer loans (gross)	20,735	22,701	22,506	22,308	22,672		18.05	19.52	22.39	24.77	27.86
Public sector/government	N.A.	N.A.	14,577	14,147	13,433		N.A.	N.A.	14.50	15.71	16.51
Total real estate loans	N.A.	N.A.	519	495	516		N.A.	N.A.	0.52	0.55	0.63
All other loans	20,735	22,701	7,410	7,666	8,723		18.05	19.52	7.37	8.51	10.72
Loan loss reserves	225	271	344	449	503		0.20	0.23	0.34	0.50	0.62
Customer loans (net)	20,510	22,430	22,162	21,859	22,169		17.86	19.29	22.05	24.27	27.24
Earning assets	111,515	112,817	99,496	89,222	79,451		97.10	97.00	99.00	99.07	97.64
Equity interests/participations (nonfinancial)	56	54	154	138	148		0.05	0.05	0.15	0.15	0.18
Inv. in unconsolidated subsidiaries (financial co.)	49	40	3	3	3		0.04	0.03	0.00	0.00	0.00
Intangibles (nonservicing)	137	166	N.A.	N.A.	N.A.		0.12	0.14	N.A.	N.A.	N.A.
Fixed assets	916	641	741	675	697		0.80	0.55	0.74	0.75	0.86
Derivatives credit amount	768	743	N.A.	N.A.	N.A.		0.67	0.64	N.A.	N.A.	N.A.
Accrued receivables	13	10	264	255	287		0.01	0.01	0.26	0.28	0.35
All other assets	1,320	1,146	159	165	385		1.15	0.99	0.16	0.18	0.47
Total reported assets	114,982	116,475	100,504	90,059	81,371		100.12	100.14	100.00	100.00	100.00
Less nonservicing intangibles	(137)	(166)	N.A.	N.A.	N.A.						
Adjusted assets	114,845	116,308	100,504	90,059	81,371		100.00	100.00	100.00	100.00	100.00
Liabilities											
Total deposits	58,632	60,647	54,768	51,584	50,875		50.99	52.07	54.49	57.28	62.52
Noncore deposits	31,067	32,861	28,852	31,102	31,732		27.02	28.21	28.71	34.54	39.00
Core/customer deposits	27,565	27,786	25,916	20,482	19,143		23.97	23.86	25.79	22.74	23.53
Other borrowings	48,105	47,811	42,128	35,257	28,169		41.84	41.05	41.92	39.15	34.62
Other credit reserves	344	N.A.	N.A.	N.A.	N.A.		0.30	N.A.	N.A.	N.A.	N.A.
Other liabilities	5,110	5,070	1,213	1,034	789		4.44	4.35	1.21	1.15	0.97
Total liabilities	112,191	113,527	98,109	87,875	79,833		97.57	97.47	97.62	97.57	98.11
Total shareholders' equity	2,791	2,947	2,396	2,185	1,538		2.43	2.53	2.38	2.43	1.89
Preferred stock and other capital	500	500	500	500	0		0.43	0.43	0.50	0.56	0.00
Minority interest-equity	1	1	N.A.	N.A.	N.A.		0.00	0.00	N.A.	N.A.	N.A.
Common shareholders' equity (reported)	2,291	2,446	1,896	1,685	1,538		1.99	2.10	1.89	1.87	1.89
Share capital and surplus	286	286	286	286	286		0.25	0.25	0.28	0.32	0.35
Revaluation reserve	14	478	N.A.	N.A.	N.A.		0.01	0.41	N.A.	N.A.	N.A.
General banking risk reserves	226	278	278	220	155		0.20	0.24	0.28	0.24	0.19
Reserves (incl. inflation revaluations)	1,736	1,463	868	743	673		1.51	1.26	0.86	0.83	0.83
Retained profits	29	(59)	29	31	69		0.02	0.05	0.03	0.03	0.08
Other equity	N.A.	N.A.	435	405	355		N.A.	N.A.	0.43	0.45	0.44
Total liabilities and equity	114,982	116,475	100,505	90,060	81,371		100.00	100.00	100.00	100.00	100.00
Less revaluation reserve, intangibles	(151)	(644)	N.A.	N.A.	N.A.						
Tangible total equity	2,641	2,303	2,396	2,185	1,538						
Tangible common equity	2,141	1,803	1,896	1,685	1,538						
Less equity in unconsolidated subsidiaries	(49)	(40)	(3)	(3)	(3)						
Adjusted common equity	2,092	1,763	1,893	1,682	1,535						
Plus preferred stock and other capital	500	500	500	500	0						
Adjusted total equity	2,592	2,263	2,393	2,182	1,535						

Data for 2004 and 2005 is prepared according to international accounting standards (IAS). Prior-year data is prepared according to statutory accounting standards (HGB). N.A.--Not available.

Table 2

DekaBank Deutsche Girozentrale Profit And Loss Statement Statistics

	--Year ended Dec. 31--						Breakdown as a % of assets (adj.)				
(Mil. €)	**2005**	**2004**	**2003**	**2002**	**2001**	-	**2005**	**2004**	**2003**	**2002**	**2001**
Profitability											
Interest income	2,747	3,633	3,761	3,712	4,100		2.38	3.35	3.95	4.33	N.A.
Interest expense*	2,551	3,386	3,556	3,519	3,899		2.21	3.12	3.73	4.11	N.A.
Net interest income	197	248	205	193	201		0.17	0.23	0.22	0.23	N.A.
Operating noninterest income	917	926	821	831	874		0.79	0.85	0.86	0.97	N.A.
Fees and commissions	773	749	690	692	729		0.67	0.69	0.72	0.81	N.A.
Equity in earnings of unconsolidated subsidiaries	(10)	(8)	(11)	(12)	(10)		0.01	0.01	0.01	0.01	N.A.
Trading gains	(189)	225	71	46	16		0.16	0.21	0.07	0.05	N.A.
Gains/(losses) on liquidity portfolio securities	N.A.	N.A.	16	1	72		N.A.	N.A.	0.02	0.00	N.A.
Other market-sensitive income	296	(101)	1	31	0		0.26	0.09	0.00	0.04	N.A.
Other noninterest income	48	61	54	73	67		0.04	0.06	0.06	0.09	N.A.
Operating revenues	1,114	1,173	1,026	1,024	1,075		0.96	1.08	1.08	1.19	N.A.
Noninterest expenses	652	610	644	679	709		0.56	0.56	0.68	0.79	N.A.
Personnel expenses	285	282	280	254	234		0.25	0.26	0.29	0.30	N.A.
Other general and administrative expense	324	297	321	373	424		0.28	0.27	0.34	0.44	N.A.
Amortization of intangibles	12	12	N.A.	N.A.	N.A.		0.01	0.01	N.A.	N.A.	N.A.
Depreciation and amortization-other	32	19	43	52	51		0.03	0.02	0.05	0.06	N.A.
Net operating income before loss provisions	461	564	382	345	366		0.40	0.52	0.40	0.40	N.A.
Credit loss provisions (net new)	(37)	59	(34)	(36)	24		0.03	0.05	0.04	0.04	N.A.
Net operating income after loss provisions	498	505	416	381	342		0.43	0.47	0.44	0.44	N.A.
General banking risk provisions	0	0	88	115	98		0.00	0.00	0.09	0.13	N.A.
Nonrecurring/special expense	94	565	53	0	0		0.08	0.52	0.06	0.00	N.A.
Pretax profit	404	(59)	275	266	244		0.35	0.05	0.29	0.31	N.A.
Tax expense/credit	83	(1)	181	213	151		0.07	0.00	0.19	0.25	N.A.
Net income before minority interest	321	(59)	94	53	93		0.28	0.05	0.10	0.06	N.A.
Net income before extraordinaries	321	(59)	95	54	92		0.28	0.05	0.10	0.06	N.A.
Net income after extraordinaries	321	(59)	95	54	92		0.28	0.05	0.10	0.06	N.A.
Core earnings	395	498	196	169	163		0.34	0.46	0.21	0.20	N.A.
Asset quality											
Classified loans (substandard, doubtful, loss)	N.A.	N.A.	755	1,029	779						
Average balance sheet											
Average customer loans	21,470	22,296	22,011	22,014	N.A.						
Average earning assets	112,166	106,156	94,359	84,337	N.A.						
Average assets	115,728	108,489	95,282	85,715	N.A.						
Average total deposits	59,639	57,707	53,176	51,230	N.A.						
Average interest-bearing liabilities	107,597	102,677	91,869	82,943	N.A.						
Average common equity	2,369	2,171	1,791	1,612	N.A.						
Average adjusted assets	115,577	108,406	95,282	85,715	N.A.						
Other data											
Number of employees (end of period, actual)	3,453	3,365	3,180	3,219	3,199						
Total assets under management	140,930	134,841	131,225	122,153	133,499						
Off-balance-sheet credit equivalents	3,915	4,239	N.A.	N.A.	N.A.						

*Also includes interest on silent partnership certificates. Data for 2004 and 2005 is prepared according to international accounting standards (IAS). Prior-year data is prepared according to statutory accounting standards (HGB). N.A.--Not available.

Table 3

DekaBank Deutsche Girozentrale Ratio Analysis	--Year ended Dec. 31--				
(Mil. €)	**2005**	**2004**	**2003**	**2002**	**2001**
ANNUAL GROWTH (%)					
Customer loans (gross)	(8.66)	0.87	0.89	(1.61)	N.A.
Loss reserves	110.31	(21.31)	(23.39)	(10.74)	N.A.
Customer deposits	(0.8)	7.21	26.53	6.99	N.A.
Tangible common equity	18.73	(4.9)	12.52	9.56	N.A.
Total equity	(5.28)	23	9.66	42.07	N.A.
Operating revenues	(5.1)	14.37	0.2	(4.74)	N.A.
Noninterest expense	7.02	(5.36)	(5.15)	(4.23)	N.A.
Net operating income before provisions	(18.21)	47.62	10.72	(5.74)	N.A.
Loan loss provisions	(163.1)	N.M.	N.M.	(250)	N.A.
Net operating income after provisions	(1.35)	21.42	9.19	11.4	N.A.
Pretax profit	N.M.	(121.6)	3.38	9.02	N.A.
Net income	N.M.	(162.34)	77.36	(43.01)	N.A.
PROFITABILITY (%)					
Interest Margin Analysis					
Net interest income (taxable equiv.)/avg. earning assets	0.18	0.23	0.22	0.23	N.A.
Net interest spread	0.08	0.13	0.12	0.16	N.A.
Interest income (taxable equiv.)/avg. earning assets	2.45	3.42	3.99	4.4	N.A.
Interest income on loans/avg. total loans	3.53	3.38	4.46	4.72	N.A.
Interest expense/avg. interest-bearing liabilities	2.37	3.3	3.87	4.24	N.A.
Revenue Analysis					
Net interest income/revenues	17.66	21.1	19.98	18.85	18.7
Fee income/revenues	69.4	63.8	67.25	67.58	67.81
Market-sensitive income/revenues	9.57	10.59	8.58	7.62	8.19
Noninterest income/revenues	82.34	78.9	80.02	81.15	81.3
Personnel expense/revenues	25.61	24.02	27.29	24.8	21.77
Noninterest expense/revenues	58.58	51.94	62.77	66.31	65.95
Noninterest expense/revenues less investment gains	79.74	47.83	63.83	68.45	70.69
Expense less amortization of intangibles/revenues	57.55	50.95	62.77	66.31	65.95
Expense less all amortizations/revenues	54.67	49.29	58.58	61.23	61.21
Net operating income before provision/revenues	41.42	48.06	37.23	33.69	34.05
Net operating income after provisions/revenues	44.75	43.05	40.55	37.21	31.81
New loan loss provisions/revenues	(3.33)	5.01	(3.31)	(3.52)	2.23
Net nonrecurring/abnormal income/revenues	(8.47)	(48.11)	(13.74)	(11.23)	(9.12)
Pretax profit/revenues	36.28	(5.06)	26.8	25.98	22.7
Tax/pretax profit	20.64	1.35	65.82	80.08	61.89
Net income/revenues	28.79	(4.99)	9.16	5.18	8.65
Other Returns					
Pretax profit/avg. risk assets (%)	1.6	(0.25)	1.19	1.2	N.A.
Net income/avg. risk assets (%)	1.27	(0.24)	0.41	0.24	N.A.
Revenues/avg. risk assets (%)	4.42	4.87	4.44	4.63	N.A.
Net operating income before loss provisions/avg. risk assets (%)	1.83	2.34	1.65	1.56	N.A.
Net operating income after loss provisions/avg. risk assets (%)	1.98	2.09	1.8	1.72	N.A.
Net income before minority interest/avg. adjusted assets	0.28	(0.05)	0.1	0.06	N.M.
Net income/employee (currency unit)	98,981	(18,364)	30,679	18,238	30,068
Personnel expense/employee (currency unit)	88,052	88,342	91,384	87,405	75,655
Cash earnings/avg. tang. common equity (ROE) (%)	18.46	(1.49)	7.65	6.52	N.A.
Core earnings/avg. tang. common equity (ROE) (%)	20.05	26.94	10.93	10.47	N.A.

DekaBank Deutsche Girozentrale Ratio Analysis (continued)

	--Year ended Dec. 31--				
(Mil. €)	**2005**	**2004**	**2003**	**2002**	**2001**
FUNDING AND LIQUIDITY (%)					
Customer deposits/funding base	25.82	25.62	26.75	23.59	24.22
Total loans/customer deposits	253.07	255.75	235.64	286.71	288.49
Total loans/customer deposits + long-term funds	96.11	93.69	86.7	101.38	113.05
Customer loans (net)/assets (adj.)	17.86	19.29	22.05	24.27	27.24
CAPITALIZATION (%)					
Adjusted common equity/adjusted assets	1.82	1.52	1.88	1.87	1.89
Adjusted common equity/risk assets	8.27	7.02	8.19	7.29	7.24
Adjusted common equity/customer loans (net)	10.2	7.86	8.54	7.69	6.92
Internal capital generation/prior year's equity	13.11	(3.09)	5.64	3.51	N.A.
Tier 1 capital ratio	7.8	7.7	8.8	8	5.1
Regulatory total capital ratio	13.3	14.2	14	13.5	9.5
Adjusted total equity/adjusted assets	2.26	1.95	2.38	2.42	1.89
Adjusted total equity/risk assets	10.24	9.01	10.35	9.45	7.24
Adjusted total equity plus LLR (specific)/customer loans (gross)	13.59	11.16	12.16	11.79	8.99
ASSET QUALITY (%)					
New loan loss provisions/avg. customer loans (net)	(0.17)	0.26	(0.15)	(0.16)	N.A.
Loan loss reserves/customer loans (gross)	1.09	1.19	1.53	2.01	2.22
Credit-loss reserves/risk assets	2.28	1.14	1.49	1.95	2.37

Data for 2004 and 2005 is prepared according to international accounting standards (IAS). Prior-year data is prepared according to statutory accounting standards (HGB). N.A.--Not available. N.M.--Not meaningful.