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Research

Deutsche Verkehrsbank AG

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CREDIT RATING

BBB+/Negative/A-2

Outstanding Rating(s)

Counterparty Credit	BBB+/Negative/A-2
Certificate of deposit	BBB+/A-2
Senior unsecured	BBB+
Commercial paper	
Local currency	A-2
Subordinated	
Local currency	BBB

Credit Rating History

Aug. 30, 2001	BBB+/A-2
Dec. 16, 1999	A-/A-2

Sovereign Rating

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

The ratings on Deutsche Verkehrsbank AG (DVB) reflect the bank's membership of the German cooperative banking sector and the sector's system of solidarity, which is underpinned by a comprehensive protection scheme, as well as uncertainties regarding DVB's future in light of its parent's--DZ Bank Deutsche Zentral-Genossenschaftsbank AG (DZ Bank; A/Negative/A-1)--plan to dispose of DVB. Standard & Poor's believes that DVB would receive support from the cooperative sector in the event that it experienced financial difficulties as long as it is a member institution. Because DVB is expected to leave the cooperative sector once it has been sold, its ratings benefit to a lesser extent from its present membership, however.

The ratings on member institutions are based on the cooperative sector's important market position--particularly in domestic retail banking--its stable funding sources, and overall sound capitalization. Although member banks are not linked by a cross-guarantee scheme, strong solidarity has been demonstrated for more than 60 years, with the sector operating a system to protect the solvency of each bank, preventing losses for the banks' creditors and their member shareholders. Although the ratings reflect Standard & Poor's view of the sector as a group, in the absence of a cross-guarantee system, distinctions are made between stronger and weaker members within the group. In a cohesive group these differences are slight, however, and therefore the rating differences are also slight.

With total consolidated assets of €9.5 billion and reported equity of €344 million at Sept. 30, 2001, DVB is a wholesale commercial bank and acts as a central bank for a group of 15 local cooperative banks, which operate under the name Sparda Banken. DVB is 67%-owned by DZ Bank, the largest central bank of the cooperative sector, which in turn is owned by members of the cooperative sector. DVB will transfer its central bank business to its parent, however, which is currently undergoing a significant restructuring process. Furthermore, DZ Bank no longer considers DVB as strategically important. Both developments raise doubts about DVB's future membership of the cooperative sector. (For further details on DZ Bank and the cooperative sectors, see latest full analysis on DZ Bank and "Bank Industry Risk Analysis: Germany (Federal Republic of)", published on Dec. 4, 2001, on RatingsDirect, Standard & Poor's Web-based credit analysis system.)

During its 1997 restructuring, DVB revised its strategy and started to focus on the transport sector, which today accounts for more than 90% of its lending volume, reflecting the acquisitions of the ship financier, Nedship Bank, in 2000, and a portfolio of mainly aviation loans from Long-Term Credit Bank of Japan Ltd. in 1998. DVB's profitability levels remain unsatisfactory and are depressed by its high cost-to-income ratio. Its capitalization is weak considering the goodwill from the acquisition of Nedship Bank and the quality of its dated hybrid capital instruments, and does not adequately reflect the risks inherent in the bank's lending operations.

■ Outlook

The outlook on DVB reflects that on its parent, DZ Bank, and the cooperative banking sector, as well as uncertainties about DVB's future membership of the sector. Standard & Poor's would lower DVB's ratings if the ratings on the cooperative sector were to be lowered. Standard & Poor's would reconsider the ratings in the event that DVB is sold.

■ Profile

With total consolidated assets of €9.5 billion and 925 employees at Sept. 30, 2001, DVB is a wholesale commercial bank with an exclusive focus on the transport sector. Its functions as a central bank for a group of 15 local cooperative banks, which operate under the name Sparda Banken, will be phased out by year-end 2002, and assumed by DZ Bank. DVB has its headquarters in Frankfurt. Nedship, which has been fully consolidated since June 1, 2000, is DVB's largest subsidiary accounting for one-third of group assets. Other major subsidiaries include International Transport Finance Ltd., London (ITFL), and Reise Bank AG.

DVB's has its roots and core business area in the transport sector, which includes all vehicles used for transportation by air, sea, railway, and road, as well as infrastructure projects (for example airports), and advisory business with larger customers. DVB's strong growth in the transport sector on an international scale can be attributed in particular to an acquisition of a portfolio of mainly aircraft loans from LTCB in 1998, and the acquisition of Nedship, a specialized ship financier, effective May 31, 2000.

As a specialized bank, DVB expects to benefit from significant business opportunities in the huge and growing transport market. It estimates annual investments in the global transport market of more than €350 billion, with 15% attributable to shipping, 26% to aviation, 22% to rail, and 37% to road transport.

DVB is challenged by weakening ties to and the loss of its historical central bank function for the cooperative banking sector. The retail-oriented Sparda Banken's customer deposits generally exceed customer loans and a portion of this excess liquidity is--so far--placed with its central bank and clearing house, DVB, accounting for the bulk of DVB's interbank liabilities. DVB in turn provides typical central bank functions for the Sparda Banken.

Nedship is exclusively active in international ship financing, is represented in major shipping centers, and claims to rank among the 15 largest shipping banks worldwide. Nedship will continue to operate as a separate legal entity and is not a member of the German cooperative guarantee system. DVB issued a letter of comfort in favor of Nedship, however. London-based ITFL, with an office in Tokyo, was established following the acquisition of the LTCB portfolio in 1998, and is in charge of handling customer relationships in Japan and processing loans to Japanese leasing companies.

Reise Bank was spun off DVB in 1996, and has total assets of €57 million, 411 staff, and about 80 outlets with another 20 to be planned in 2002. Its core business is the exchange of foreign currency bills and travelers checks for retail customers and it claims to be the market leader in Germany, with a market share of 5%. So far, DVB is in charge of DZ Bank's wholesale (physical) foreign currency exchange and precious metals business, and it provides these services to about 1,200 local cooperative banks and other institutional clients, but this business line will also be assumed by DZ Bank from mid-2002 onward. DVB and Reise Bank's foreign currency exchange business forms the bulk of the group's commission and trading income. Another challenge for DVB is to compensate the loss of commission and trading profits from its euro-linked foreign currency exchange business, following the introduction of the euro as legal tender in 2002. DVB, however, expects to counterbalance the loss through growth prospects in other currency exchanges, and, furthermore, new product services such as insurance and last minute flight agencies.

■ Ownership and Legal Status

Contrary to the cooperative banks (but like its majority owner), DVB is a joint-stock company. It was listed by its former owner Deutsche Bahn AG in 1988, which, after its privatization, sold the largest portion of its majority stake to DG Bank in 1995. This gave DG Bank the opportunity to achieve a controlling stake and to close its ties with DVB and its affiliated Sparda Banken, which were originally established as cooperative banks for railway employees. Today, DVB is 67.07%-owned by DZ Bank, 13.29% by Sparda Banken, 10.00% by KRAVAG, a specialized insurance group that focuses on the transport sector, and 0.75% by Deutsche Bahn AG. The free float is 8.89%. DVB, DZ Bank, and the Sparda Banken are members of the guarantee system of the German cooperative banking sector. Two board members of DZ Bank sit on DVB's supervisory board.

As a credit institution, DVB is subject to the provisions of the German Banking Act (Kreditwesengesetz, or KWG) and to the supervision of the Federal Banking Supervisory Authority (Bundesaufsichtsamt für das Kreditwesen, or BAKred).

■ Strategy

Following unfocused corporate lending business that had caused an increase in problem loans, DVB eventually changed its strategy in 1997. DVB implemented a restructuring program with a focus on structured finance and corporate advisory in the transport sector (shipping, aviation, and land transport), and aims to become a leading wholesale financial institution in the transport sector, servicing the upper tier of domestic and international customers. Existing relationships, which do not fit into DVB's strategy, will be discontinued and no new business outside the transport sector is undertaken. DVB's further main activities are foreign currency exchange and payment services for retail customers (Reise Bank); performing treasury functions, including exchange of and trading with foreign currency and precious metals for institutional customers; and acting as a central bank for the Sparda Banken, which will be transferred to DZ Bank by 2003, however.

Although DVB was mainly a domestic corporate lender with expertise in the railway sector, the acquisition of an international aircraft and a smaller ship loan portfolio of €1.4 billion from LTCB in 1998 provided an opportunity to implement the new strategy. This was because they allowed for the reduction of nonstrategic businesses, while keeping the negative effect on profitability at bay. A number of these transactions were arranged or coarranged by LTCB.

With the acquisition of Nedship, DVB also gained an international presence in ship financing. Although Nedship is still in the process of building expertise in corporate finance, it may benefit from the expertise of former LTCB specialists. DVB's key challenge is to successfully manage the integration process and to maintain and use its expertise and customer relationships for new transactions, thereby gaining market shares while maintaining prudent underwriting standards. DVB has therefore hired a senior manager with longstanding experience in the shipping industry as the new CEO of Nedship. While expansion is limited by the low level of capital, qualitative growth is needed to better use the bank's facilities and to reduce its high cost-to-income ratio. Having improved its name recognition, DVB aims to increasingly act as advisor and arranger to diversify its revenues. DVB established a special unit in London to combine its corporate finance activities for the whole transport sector.

Another challenge for DVB is to compensate the loss of commission and trading profits from its euro-linked foreign currency exchange business, following the introduction of the euro as legal tender in 2002. Despite the fact that this business accounted for almost 20% of gross fee income, DVB expects a further double-digit income growth by leveraging business in non-euro-linked currencies, cash terminals, and a product broadening of its services, such as with insurance, and last minute flight agencies.

■ Asset Quality

DVB's overall asset quality is sound, but still suffers from the weak quality of DVB's traditional corporate loan portfolio (that is, excluding the portfolio acquired from LTCB in 1998), which caused an unsustainable level of loan-loss provisions (LLPs) until 1997, when DVB completed a reevaluation of its portfolio, established a work-out division, and significantly raised provisions to cover remaining risks in the portfolio. Until September 2001, provisioning needs continued to decline.

After a period of moderate growth until 1997, total assets rose by 23% in 1998, reflecting the acquisition of a loan portfolio acquired from LTCB, and by 38% in 2000, reflecting the consolidation of Nedship. Customer loans accounted for 68% of total assets at Sept. 30, 2001, up from 28% at year-end 1997. Interbank placings represented 12% of total assets down from 52% at year-end 1997, and bonds 12%.

Boosted by the acquisition of Nedship in 2000, the group's exposure to the transport sectors amounted to €7.9 billion at Sept. 30, 2001, which was also the main driver for shipping loans, representing 53% of the portfolio. Aviation accounted for 25% of the portfolio as a result of DVB's acquisition of a portfolio from LTCB in 1998. The remaining 22% was almost evenly split between DVB's traditional business areas of rail and road transport, and a mixed portfolio of corporate loans in the nontransport sectors, which will be wound down because it caused significant problems in the past. DVB has been improving its risk management concerning the loan-approval process, surveillance, work-out, and internal ratings, and has implemented new credit guidelines reflecting its strategy, and is in the process of further developing its portfolio management tools. New business will focus on cash-flow-based medium- and long-term collateralized transactions in the transport sector, with limits concerning loan-to-value (LTV) ratios, maturities, and objects.

In 1998, DVB acquired a portfolio from LTCB, the bulk of which consisted of aircraft financing and a smaller portion of ship loans because LTCB had to liquidate assets in the course of its restructuring. LTCB's asset quality problems relate to its domestic portfolio, however, and were not caused by its overseas business. DVB and its advisors undertook a due diligence on asset quality and legal documentation, while the ongoing surveillance after the closing of the transaction confirmed the sound quality of the portfolio.

The shipping loan portfolio is well diversified by type of vessels, with a focus on tankers, bulk carriers, and containers with an average loan-to-value ratio of 64%. Market rates in most shipping segments have shown pronounced volatility in the past, leading to higher LTV ratios in times of stress, however. Although findings from the due diligence undertaken by an external auditing firm on Nedship's accounts were confirmed by DVB's ongoing evaluation of the portfolio, it includes a significant, but manageable amount of higher risk exposures for which Nedship had to increase its LLPs in recent years. Under new management, Nedship targets larger, more creditworthy customers, utilizing its higher underwriting capacity.

DVB disclosed the level of risk provisions for the lending business since 1998, which compare very favorably with earlier years.

Table 1 Risk Provisions				
	2001*	2000	1999	1998
LLPs	4	(1.1)	7	9
LLP/average loans (net)	0.07	(0.02)	0.24	0.44
LLP/revenues	2.82	(0.69)	5	8.18
*At September, 2001.				

While DVB seems to have made adequate LLPs for existing problem loans in its work-out portfolio, as demonstrated by the significant decline since 1998, new problems may emerge from the ongoing difficult economic environment.

■ Profitability

DVB's profitability continues to be very low by international standards, although it has strongly improved since 1997, mainly reflecting the acquisitions of the LTCB portfolio and Nedship, whose results have been consolidated since June 2000. Until Sept. 30, 2001, pretax profit almost quadrupled since 1997, but declined 13% for the first nine months in 2001, reflecting particularly high risk provisions compared with 2000. Profitability is still at low levels as the bank's consolidated cost-to-income ratio of 79% at Sept. 30, 2001, remains very high, however. Further improvement will now depend more on developments in the historically volatile shipping markets, the recovery of the aviation sector, a successful work-out of the nonstrategic loan portfolio, the ability to compensate the loss of the euro-related foreign currency business, the transfer of the central bank function to DZ Bank at year-end 2002, and a strict cost control.

Net interest income accounted for 47% of revenues at Sept. 30, 2001 up from 24% in 1997 and net interest margin increased to 0.98% up from 0.68%, benefiting strongly from the consolidation of Nedship. The group's interest margin will further increase, but remain well below Nedship's historical levels because of DVB's low-yielding work-out portfolio, a stronger focus on higher-rated customers and ongoing competition in the shipping and aviation financing business. Margins do not benefit from lower cost retail deposits because DVB, as a wholesale and cooperative central bank, has no access to retail customers.

Net commission income represented 49% of revenues, and is mainly derived by DVB's subsidiary, Reise Bank. The majority of Reise Bank's revenues are generated by the exchange of foreign currency for retail customers, and the bank has lost parts of this business following EMU in 2002. The bank therefore aims to focus on Eastern European and non-European currencies, to broaden its product range, including fees from its ATMs, travel business, and money transfers, and to streamline its branch network. The bank expects to overcompensate its losses in revenues. DVB itself aims to generate fee income from arranging structured finance transactions.

Trading results accounted for only 4% of revenues, and mainly includes DVB's foreign currency exchange business on the wholesale level and smaller amounts of foreign currency and securities trading.

Overall, DVB's revenues rose by 18% on an annualized basis by Sept. 30, 2001, as a result of the increased loan portfolio. The bank's cost-to-income ratio was an unfavorable 79% at Sept. 30, 2001, after 84% in 2000, following DVB's acquisitions. DVB expects only moderate efficiency improvements in the short term because of investment needs for implementing a new IT system, building up its corporate finance activities, and winding down its nonstrategic domestic operations.

LLPs continued to decline, absorbing only 3% of revenues--based on the bank's budgeted amount--by Sept. 30, 2001, which compares very favorably with years before 2000. Pretax ROE (reduced by goodwill and hybrid capital) rose to almost 26% by Sept. 30, 2001, from 13.5% in 1999, and 4.4% in 1998, but is overstated due to DVB's very low capitalization.

■ Asset-Liability Management

DVB's major funding source remains interbank funds, which accounted for 49% of liabilities at Sept. 30, 2001, reflecting its role as a central bank and the lack of retail customer base. From 2003 onward, DVB's funding will be challenged by the transfer of its central bank function for the cooperative sector to DZ bank, which means that DVB has to strengthen its efforts to raise funds outside the sector. Although each local Sparda cooperative bank must hold its minimum reserve requirements directly with the Bundesbank, they place a certain percentage of customer deposits with DVB as their central bank. In addition, the Sparda banks do most of their interbank business with DVB, thereby providing their central bank with a stable funding base and covering its short-term funding needs. Furthermore, in times of stress, DG Bank (as DVB's parent and central bank of the German cooperative sector) would be able to provide funds to bridge liquidity gaps if needed. So far, a significant portion of DVB's interbank business is with affiliated banks and its parent. Because customer deposits of the local Sparda cooperative banks far exceed customer loans, a portion of their excess liquidity is also placed with DVB. At Sept. 30, 2001, DVB's deposits (mainly from local Sparda cooperative banks and a smaller amount from DG Bank) accounted for 51% of interbank liabilities and 25% of total liabilities. The amount of funds received from the Sparda banks has already declined in the past few years because of their growing customer lending business, however. At the same time, DVB only had between 10% and 20% of received Sparda funds placed to that group in interbank lending.

As a wholesale bank, deposits from DVB's corporate customers represented only 21% of liabilities at Sept. 30, 2001. In the past, the ratio of customer deposits to customer loans was close to 100% but, through the acquisition of the LTCB loan portfolio and Nedship, customer loans by far exceed deposits. Consequently, DVB significantly reduced interbank placings to free up funds, and increasingly tapped the capital markets to broaden its international investor base. Own bonds issued rose to 23% of liabilities, up from only 4% in 1997. DVB increasingly issues structured products, which significantly reduced funding costs.

Asset-liability management aims to ensure that DVB's liquidity ratio comfortably exceeds the regulatory minimum. In times of stress, DVB has back-up lines in place and should also be able to raise funds from sector members, as long as it is a group member. DVB is not a trading house, and market risk management focuses on the overall interest rate risk of the banking business. Interest rate risk is closely monitored and limited by daily scenario analysis on a present-value basis. Overnight shifts are used for potential price movements to control its limited foreign exchange and equity positions. DVB's overall risk appetite is in line with its limited ability to absorb adverse market movements. DVB's risk management system also includes and regularly monitors operational risk, and mainly covers processing errors and IT failure.

■ Capital

DVB's capitalization is weak and does not adequately reflect the risks inherent in the bank's lending operations considering its business profile, the volatile and highly competitive shipping and aviation financing business, and the still-difficult economic environment for small and midsize domestic corporations. Economic capital strengths deteriorated further considering the goodwill from the Nedship acquisition and the quality of DVB's hybrid capital. Although DVB meets German regulatory capital requirements, the bank's low profitability levels (which in the past did not allow for earnings to be retained) and the lack of significant reserves, both a result of high provisioning needs in the past, have further reduced its financial flexibility. Although DVB is committed to improving its ROE in the medium term through earnings retention, capitalization will continue to be very low.

The acquisition of Nedship was only partially funded by a capital increase (€64 million), and to a larger extent through the issuance of weaker forms of capital such as hybrid Tier 1 capital (€77.6 million) and Tier 2 instruments (€152 million), and debt. DVB reports regulatory capital ratios according to KWG, which, in contrast to BIS guidelines, does not require DVB to fully deduct the goodwill of almost €130 million from Tier 1 capital at once, but allows banks to gradually increase the amount to be deducted equally from Tier 1 and Tier 2 capital over a period of 10 years. Therefore, its regulatory Tier 1 ratio slightly improved to 5.2% at Sept. 30, 2001 from 4.5% at year-end 1999. The acquisition of the LTCB portfolio in 1998 caused a decline to 4.6% from 6.8%.

Because Standard & Poor's does not include dated hybrid capital with a maturity of 10 years or Tier 2 capital in its calculation of adjusted common equity (considering the ability to absorb losses on a going-concern basis and permanence) and deducts goodwill from equity, DVB's ratio of adjusted common equity to risk assets declined to only 1.7% at Sept. 30, 2001, from 4.8% at year-end 1999.

Balance Sheet Statistics											
		--Year ended Dec. 31--					Breakdown (%) / assets (adj.)				
(Mil. €)	2001*	2000	1999	1998	1997		2001*	2000	1999	1998	1997
ASSETS											
Cash and money market instruments	277	210	1,188	1,990	1,852		2.95	2.25	17.28	30.31	34.74
Securities	1,216	882	1,176	866	774		12.93	9.44	17.11	13.19	14.52
Nontrading securities	1,216	882	1,176	866	774		12.93	9.44	17.11	13.19	14.52
Loans to banks (net)	1,166	1,755	1,062	1,211	1,120		12.40	18.79	15.45	18.45	21.01
Public sector/government	N.A.	299	295	359	423		N.A.	3.20	4.30	5.47	7.93
Total real estate loans	N.A.	0	0	0	0		N.A.	0.00	0.00	0.00	0.00
All other loans	6,472	5,945	3,075	2,074	1,085		68.81	63.64	44.73	31.60	20.35
Customer loans (net)	6,472	6,244	3,370	2,433	1,508		68.81	66.84	49.03	37.07	28.28
Earning assets	8,855	8,969	5,784	6,360	5,062		94.14	96.01	84.13	96.88	94.95
Equity interests/participations (nonfinancial)	N.A.	18	13	13	18		N.A.	0.20	0.19	0.20	0.34
Intangibles (nonservicing)	123	130	1	0	0		1.31	1.39	0.01	0.00	0.00
Fixed assets	59	21	14	15	18		0.63	0.23	0.20	0.23	0.34
Accrued receivables	0	10	12	12	1		0.00	0.11	0.17	0.18	0.02
All other assets	215	202	40	25	40		2.28	2.16	0.58	0.38	0.75
Total reported assets	9,529	9,472	6,875	6,565	5,331		101.31	101.39	100.01	100.00	100.00
Less nonservicing intangibles	(123)	(130)	(1)	0	0						
Adjusted assets	9,406	9,342	6,874	6,565	5,331		100.00	100.00	100.00	100.00	100.00

Balance Sheet Statistics										
	--Year ended Dec. 31--					Breakdown (%) / liabilities + equity				
(Mil. €)	2001*	2000	1999	1998	1997	2001*	2000	1999	1998	1997
LIABILITIES										
Total deposits	6,489	7,205	5,720	5,448	4,788	68.09	76.07	83.20	82.99	89.80
Noncore deposits	4,503	4,709	3,970	3,579	3,411	47.25	49.72	57.75	54.52	63.98
Core/customer deposits	1,986	2,496	1,750	1,869	1,377	20.84	26.35	25.45	28.47	25.82
Other borrowings	2,582	1,904	841	903	323	27.09	20.11	12.23	13.75	6.06
Other liabilities	192	111	137	63	53	2.01	1.17	1.99	0.96	0.98
Total liabilities	9,262	9,220	6,697	6,414	5,163	97.20	97.34	97.42	97.70	96.85
Total shareholders' equity	267	252	177	151	168	2.80	2.66	2.58	2.30	3.15
Common shareholders equity (reported)	267	252	177	151	168	2.80	2.66	2.58	2.30	3.15
Share capital and surplus	252	77	57	51	51	2.64	0.81	0.84	0.78	0.96
Reserves (including inflation revaluations)	N.A.	175	120	100	117	N.A.	1.85	1.74	1.52	2.19
Retained profits	15	0	0	0	0	0.16	0.00	0.00	0.00	0.00
Total liabilities and equity	9,529	9,472	6,874	6,565	5,331	100.00	100.00	99.99	100.00	100.00
Tangible common equity	137	122	176	151	168					
Adjusted common equity	137	122	176	151	168					
Tangible total equity	137	122	176	151	168					
Adjusted total equity	137	122	176	151	168					
*Data as of Sept. 30. Ratios annualized where appropriate. N.A.--Not available.										

Profit and Loss Statement Statistics										
	--Year ended Dec. 31--					Adj. avg. assets (%)				
(Mil. €)	2001*	2000	1999	1998	1997	2001*	2000	1999	1998	1997
PROFITABILITY										
Interest income	67	429	278	203	175	0.95	5.29	4.14	3.41	3.50
Interest expense	0	371	231	166	142	0.00	4.57	3.43	2.80	2.84
Net interest income	67	58	47	36	33	0.95	0.72	0.71	0.61	0.67
Operating noninterest income	76	103	92	76	93	1.07	1.27	1.37	1.27	1.86
Fees and commissions	70	90	73	60	53	0.99	1.11	1.09	1.00	1.06
Equity in earnings of unconsolidated subsidiaries	0	1	2	(1)	7	0.00	0.02	0.03	(0.01)	0.13
Trading gains	5	8	11	13	13	0.07	0.10	0.16	0.22	0.25
Other noninterest income	1	3	7	4	21	0.01	0.04	0.10	0.06	0.42
Operating revenues	142	161	140	112	126	2.02	1.99	2.08	1.88	2.52
Noninterest expenses	112	135	108	96	88	1.59	1.67	1.61	1.62	1.76
Personnel expenses	0	60	49	47	46	0.00	0.74	0.73	0.78	0.91
Other general and administrative expense	112	64	54	44	37	1.59	0.80	0.80	0.74	0.74
Amortization of intangibles	0	4	0	0	0	0.00	0.05	0.00	0.00	0.00
Depreciation and amortization-other	0	7	6	6	5	0.00	0.08	0.09	0.09	0.11
Net operating income before loss provisions	31	26	31	16	38	0.43	0.32	0.47	0.27	0.76
Nonrecurring/special income	0	2	0	0	0	0.00	0.03	0.00	0.00	0.00
Nonrecurring/special expense	0	0	2	1	0	0.00	0.00	0.03	0.01	0.00
Pretax profit	27	31	23	7	2	0.38	0.38	0.34	0.12	0.04
Tax expense/credit	0	12	7	2	2	0.00	0.14	0.11	0.04	0.04
Net income before minority interest	27	19	16	5	0	0.38	0.24	0.23	0.08	0.00
Net income before extraordinary	27	19	16	5	0	0.38	0.24	0.23	0.08	0.00
Net operating income	27	18	17	5	0	0.38	0.22	0.25	0.09	0.00
AVERAGE BALANCE SHEET										
Average customer loans	6,358	4,807	4,044	3,137	2,576					
Average earning assets	8,912	7,376	6,169	5,825	4,866					
Average assets	9,500	8,173	6,720	5,948	4,994					
Average total deposits	6,847	6,462	5,584	5,118	4,482					
Average interest-bearing liabilities	9,090	7,835	6,456	5,731	4,789					
Average common equity	259	214	182	165	165					
Average adjusted assets	9,374	8,108	6,720	5,948	4,994					

Profit and Loss Statement Statistics											
		--Year ended Dec. 31--					Adj. avg. assets (%)				
(Mil. €)	2001*	2000	1999	1998	1997	2001*	2000	1999	1998	1997	
OTHER DATA											
Number of employees (end of period)	N.A.	872	788	774	799						
Off-balance-sheet credit equivalents	N.A.	1,549	823	609	439						
*Data as of Sept. 30. Ratios annualized where appropriate. N.A.--Not available.											

Ratio Analysis					
	--Year ended Dec. 31--				
	2001*	2000	1999	1998	1997
ANNUAL GROWTH (%)					
Customer loans (gross)	4.87	85.25	38.51	61.38	0.94
Loss reserves	N.M.	N.M.	N.M.	N.M.	N.M.
Adjusted assets form	0.91	35.90	4.71	23.15	14.46
Customer deposits	(27.14)	42.62	(6.39)	35.80	6.48
Tangible common equity	16.37	(30.82)	16.85	(10.12)	11.26
Total equity	7.94	42.18	17.27	(10.12)	11.26
Operating revenues	17.54	15.39	24.58	(11.08)	29.82
Noninterest expense	10.25	24.78	12.64	9.18	9.89
Net operating income before provisions	55.18	(16.91)	96.09	(57.88)	123.40
Net operating income after provisions	55.18	(16.91)	96.09	(57.88)	123.40
Pretax profit	14.46	34.91	207.37	234.86	(74.92)
Net income	84.29	23.13	212.63	1972.50	(93.26)
PROFITABILITY (%)					
Interest Margin Analysis					
Net interest income (taxable equiv.)/avg. earning assets	1.00	0.79	0.77	0.63	0.68
Net interest spread	1.00	1.08	0.93	0.58	0.64
Interest income (taxable equiv.)/avg. earning assets	1.00	5.81	4.51	3.48	3.60
Interest income on loans/avg. total loans	1.13	5.96	4.43	3.75	3.81
Interest expense/avg. interest-bearing liabilities	0	4.73	3.57	2.90	2.96

Ratio Analysis					
		--Year ended Dec. 31--			
	2001*	2000	1999	1998	1997
Revenue Analysis					
Net interest income/revenues	46.82	36.08	33.94	32.54	26.39
Fee income/revenues	49.17	55.92	52.21	53.10	41.85
Market-sensitive income/revenues	3.63	5.11	7.89	11.69	9.99
Noninterest income/revenues	53.18	63.92	66.06	67.46	73.61
Personnel expense/revenues	0	37.22	34.94	41.56	36.14
Noninterest expenses/revenues	78.58	83.78	77.47	85.69	69.79
Noninterest expense/revenues less investment gains	78.58	83.78	77.47	85.69	69.79
Expense less amortization of intangibles/revenues	78.58	81.45	77.47	85.69	69.79
Expense less all amortizations/revenues	78.58	77.24	73.34	80.72	65.62
Net operating income before provision/revenues	21.42	16.22	22.53	14.31	30.21
Net operating income after provisions/revenues	21.42	16.22	22.53	14.31	30.21
Net nonrecurring/abnormal income/revenues	0	1.43	(1.65)	(0.46)	0
Pretax profit/revenues	18.63	19.13	16.36	6.63	1.76
Tax/pretax profit	0	37.89	31.95	33.09	89.19
Net income/revenues	18.63	11.88	11.13	4.44	0.19
Other Returns					
Pretax profit/average risk assets (%)	0.96	0.54	0.63	0.27	0.11
Net income/average risk assets (%)	0.96	0.34	0.43	0.18	0.01
Net income/average assets + securitized assets	0.38	0.24	0.23	0.08	0.00
Net income/employee (currency unit)	N.M.	21,132	19,535	6,344	300
Personnel expense/employee (currency unit)	N.M.	66,203	61,307	59,426	56,950
Net income/avg. tang. common equity (ROE) (%)	27.23	12.83	9.50	3.12	0.15
FUNDING AND LIQUIDITY (%)					
Customer deposits/funding base	21.90	27.40	26.67	29.43	26.93
Total loans/customer deposits	384.56	320.53	253.33	194.95	190.90
Total loans/customer deposits + long-term funds	158.00	172.51	160.16	126.97	144.82
Customer loans (net)/assets (adj.)	68.81	66.84	49.03	37.07	28.28

Ratio Analysis					
		--Year ended Dec. 31--			
	2001*	2000	1999	1998	1997
CAPITALIZATION (%)					
Adjusted common equity/adjusted assets	1.46	1.31	2.57	2.30	3.15
Adjusted common equity/adjusted assets + securitization	1.46	1.31	2.57	2.30	3.15
Adjusted common equity/risk assets	N.M.	1.66	4.44	4.56	7.58
Adjusted common equity/customer loans (net)	2.12	1.95	5.24	6.21	11.14
Internal capital generation/prior year's equity	14.01	4.71	5.00	(0.02)	(10.79)
Tier 1 capital ratio	N.M.	5.70	4.46	4.57	6.82
Regulatory total capital ratio	10.00	10.20	8.60	9.12	9.35
Adjusted total equity/adjusted assets	1.46	1.31	2.57	2.30	3.15
Adjusted total equity/risk assets	N.M.	1.66	4.44	4.56	7.58
Adjusted total equity/adjusted assets + securitizations	1.46	1.31	2.57	2.30	3.15
Adjusted total equity plus LLR (specific)/customer loans (gross)	2.12	1.95	5.24	6.21	11.14
Common dividend payout ratio	N.M.	56.42	51.45	100.60	6887.50
*Data as of Sept. 30. Ratios annualized where appropriate. N.M.--Not meaningful. N.A.--Not available.					

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