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Research

## DVB Bank AG

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**Credit Analyst:** Harm Semder, Frankfurt (49) 69-3 39 99-158;  
Stefan Best, Frankfurt (49) 69-3 39 99-154

### 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 <i>Local currency</i>	A-2
Subordinated <i>Local currency</i>	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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### Related Entities

#### DZ Bank AG Deutsche Zentral-Genossenschaftsbank

Counterparty Credit	A-/Negative/A-2
Certificate of deposit	A-/A-2
Senior unsecured	A-
Commercial paper <i>Local currency</i>	A-2
Subordinated <i>Local currency</i>	BBB+
Short-Term debt <i>Local currency</i>	A-2
Short-Term secured debt <i>Local currency</i>	A-1+
Senior secured <i>Local currency</i>	AAA

**Deutsche Genossenschafts-Hypothekenbank AG**

Counterparty Credit	A-/Negative/A-2
Certificate of deposit	A-/A-2
Senior unsecured <i>Local currency</i>	A-/NR
Subordinated <i>Local currency</i>	BBB+
Short-Term debt <i>Local currency</i>	A-2
Senior secured <i>Local currency</i>	AAA

**DZ Bank International S.A.**

Counterparty Credit	A-/Negative/A-2
Certificate of deposit	A-/A-2
Senior unsecured	A-
Commercial paper <i>Local currency</i>	A-2
Subordinated <i>Local currency</i>	BBB+
Short-Term debt <i>Local currency</i>	A-2

**DZ Bank Ireland PLC**

Counterparty Credit	A-/Negative/A-2
Certificate of deposit	A-/A-2
Senior unsecured <i>Local currency</i>	A-
Senior unsecured <i>Foreign currency</i>	NR
Subordinated <i>Local currency</i>	BBB+
Short-Term debt <i>Local currency</i>	A-2

**R+V Versicherung AG**

Counterparty Credit <i>Local currency</i>	A/Negative
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**VR Leasing AG**

Counterparty Credit	BBB+/Negative/A-2
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**R+V Allgemeine Versicherung AG**

Counterparty Credit <i>Local currency</i>	Api
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**R+V Lebensversicherung AG**

Counterparty Credit <i>Local currency</i>	Api
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**KRAVAG-LOGISTIC Versicherungs AG**

Counterparty Credit <i>Local currency</i>	A-pi
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## ■ Major Rating Factors

### Strengths:

- Counterparty credit ratings based on the German cooperative banking sector.
- DVB's sound expertise, risk management, and favorable track record in transport lending.
- Sound market-risk management and risk appetite.

### Weaknesses:

- Uncertainties regarding DVB's future role within the cooperative sector and strategic importance to DZ Bank AG Deutsche Zentral-Genossenschaftsbank.
- Lack of business diversification.
- Low amount and quality of capital, despite recent strong improvements.

## ■ Rationale

The counterparty credit ratings on DVB Bank AG (DVB) and other rated member banks of the cooperative banking sector are based on the German cooperative banking sector's solidarity and comprehensive protective scheme, which has prevented member institutions insolvencies for more than 60 years, and reflect Standard & Poor's view of the sector as a single economic group. The counterparty credit ratings on DVB benefit to a lesser extent from its membership, however, because of uncertainties regarding DVB's future role within the cooperative sector and its strategic importance to its 92.55% owner DZ Bank AG Deutsche Zentral-Genossenschaftsbank (DZ Bank; A-/Negative/A-2). Standard & Poor's believes, however, that DVB would receive support from the cooperative sector if it experienced financial difficulties as long as it remains a member institution.

The ratings on the cooperative banking sector are also based on its important market position, particularly in the domestic retail banking market; stable funding sources; and overall sound capitalization. The ratings on the cooperative banking sector are constrained by its steadily declining core profitability levels after risk until 2002 and deteriorating asset quality, which has put strains on both earnings and the sector's protective scheme due to problems at a large number of the cooperative sector's member banks.

DZ Bank, DVB's majority owner, is the larger of two central banks in the cooperative sector, and its very weak financial profile is also a key negative factor in Standard & Poor's assessment of the cooperative sector's financial strength. Initiatives have been implemented to improve the credit-risk management of member banks and DZ Bank, and earnings recovered in 2003. The ratings also reflect the sector's slow progress in implementing restructuring initiatives designed to maintain its still solid market position in light of the fundamental structural problems of the German banking industry, and sluggishness in reducing its unfavorable cost-to-income ratios. (For further details on DZ Bank and the cooperative sectors, see latest full analysis on DZ Bank and the article entitled "Bank Industry Risk Analysis: Germany (Federal Republic of)", published on Dec. 11, 2003, on RatingsDirect).

Following its strategic reorientation since 1997, DVB nowadays is a wholesale commercial bank (€9.1 billion consolidated assets at Dec. 31, 2003), focusing solely on the transport sector, which accounts for 96% of customer lending. DVB resolutely completed its pursued refocusing process through the sale of its subsidiaries ReiseBank AG and CashExpress GmbH (core business: the exchange of foreign currency bills and travelers checks for retail customers) to DZ Bank, effective year-end 2003. This followed the transferal of its former central bank function for a group of 15 local cooperative banks, operating under the name Sparda Banken, to DZ Bank at year-end 2002.

DVB's overall asset quality in its transport portfolio remains sound, and loan-loss provisions (LLPs) have remained remarkably low to date, despite a very difficult market environment, particularly for aviation. Nevertheless, DVB set up general LLPs amounting to 20 basis points (bps) of its transport portfolio at year-end 2003 as a buffer for the portfolio's inherent risks and high volatility. DVB's profitability levels are low by international standards and suffer from improving, but still high, cost-to-income ratios, and disproportionate LLP needs in DVB's already strongly reduced and now very small nontransport exit portfolio. Standard & Poor's expects DVB's profitability to benefit from ongoing sound lending and collateral management and policies, as well as from the further leveraging of customer relationships, such as fee generating cross-selling activities, further strict cost containment, and the run-off of its nonstrategic loan portfolio. Standard & Poor's acknowledges as positive DVB's strong capital improvements since 2002 (by 180 bps to 6.8% regulatory Tier 1 capital ratio at year-end 2003), due to retained onetime gains from the sale of nonstrategic investments. Yet capitalization is still a key constraint on DVB's stand-alone ratings, considering the goodwill from the acquisition of Nedship Bank N.V., the quality of its dated hybrid capital instruments, and inherent risks in its business operations.

## ■ Outlook

The negative outlook on DVB mirrors that of the cooperative banking sector, and its parent, DZ Bank. The outlook reflects uncertainties about the extent and sustainability of the sector's improved performance in 2003, following its negative earnings trend and the extent of further provisioning needs. It also mirrors uncertainties about the length of DZ Bank's recovery process in light of the weak quality of its domestic corporate loan portfolio and the difficult economic and competitive environment. The cooperative banking sector faces the challenge of successfully implementing its planned restructuring initiatives and optimizing synergies in the sector as further erosion of the member banks' profitability levels could have negative rating implications. Standard & Poor's will review the ratings upon the release of full-year results and its regular discussions with the bank's management.

Standard & Poor's would lower the ratings on DVB if the ratings on the cooperative sector were lowered. The ratings, however, will also continue to reflect uncertainties regarding DVB's future role in the cooperative sector and its strategic importance to DZ Bank, developments which Standard & Poor's will continue to monitor closely. Strategic decisions to strengthen DVB's role might lead to a narrowing of the ratings on DVB and those on the German cooperative banking sector over time, whereas a loosening of ties might have negative rating implications.

## ■ Profile

Germany-based DVB is a wholesale commercial bank, which nowadays has an exclusive focus on the transport sector. This includes all transport vehicles: air, sea, railway, and road, as well as infrastructure projects such as airports. With its worldwide-network, DVB services the upper tier of international and domestic customers, including advisory business. International customers represented about 90% of business and exposures. At Dec. 31, 2003, DVB had consolidated assets €9.1 billion and 400 employees.

Key to DVB's transformation into a specialized transport sector bank were:

- The acquisition of an international aircraft and a smaller ship loan portfolio of €1.4 billion from Long-Term Credit Bank of Japan Ltd. (LTCB) in 1998, which allowed the reduction of nonstrategic businesses, while keeping the negative effect on profitability at bay. DVB's major subsidiary International Transport Finance Ltd., London (ITFL), based in London with an office in Tokyo, was established following the LTCB acquisition and is in charge of handling customer relationships in Japan, particularly aviation, and processing loans to Japanese leasing companies.
- The 100% acquisition and consolidation of Nedship Bank N.V. in 2000, which was renamed into DVB Bank N.V (DVB NV) on March 1, 2004. It is by far DVB's largest subsidiary, exclusively active in international ship financing, and represented in major shipping centers. DVB NV is a strong addition to DVB's ship financing, an area where the DVB group claims to be among the 10 largest worldwide. Although DVB NV continues to operate as a separate legal entity and is not a member of the German cooperative guarantee system, it has received a letter of comfort from DVB.

- The loss of its historical central bank function for 15 local cooperative banks at year-end 2002, which operate under the name Sparda Banken. While the majority of these functions have been transferred to DZ Bank, DVB's liquidity management for the Sparda Banken has been retained--at least--until year-end 2004.
- The sale of its subsidiaries ReiseBank AG and CashExpress GmbH to DZ Bank effective year-end 2003. Their core business is the exchange of foreign currency bills and travelers checks for retail customers, and formed the bulk of DVB group's commission and trading income. DVB realized a €87.5 million net sales gain (over book value), which was retained to capital.

## ■ Ownership and Legal Status

Contrary to the cooperative banks, but like its majority owner, DVB is a joint-stock company, 92.27%-owned by DZ Bank, after DZ acquired 13.29% from Sparda Banken and 0.75% from Deutsche Bahn AG (AA/Stable/A-1+) in September 2003, and 10% from KRAVAG – Holding AG (not rated) in December 2002. The remaining shares are in free float. DVB, DZ Bank, and the Sparda Banken are members of the guarantee system of the German cooperative banking sector. Board members of DZ Bank and Sparda Banken 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 German Federal Financial Supervisory Agency (Bundesanstalt für Finanzdienstleistungsaufsicht; or BaFin).

## ■ Strategy

In 2003, DVB concluded its transformation process to become a niche bank for the transport industry, after resolutely discontinuing, transferring, or selling nontransport sector related activities, while building up specialized expertise, which also included making external acquisitions. This is a result of DVB's 1997 implemented strategy change, when it was an unfocused domestic corporate lending bank with low asset quality.

DVB focuses solely on structured finance and corporate advisory services in the transport sector. Its target portfolio is 40% shipping, 40% aviation, and 20% land transport (such as rail, road, and infrastructure) and the bank aims to become the leading wholesale financial institution in the transport sector, primarily servicing the upper tier of international, but also domestic customers. DVB is targeting risk-weighted asset growth of 8.8% in 2004 and 4% per year thereafter. DVB expects to benefit from significant business opportunities in the huge and growing transport market. It estimates annual investment in the global transport market of more than €350 billion from 2004 onward, with the strongest investment in road transport (37%), followed by aviation (26%), rail (22%) and shipping (15%). However, investments have declined in recent years mainly as a result of the aftermath of the events of Sept. 11, 2001. While the aviation sector in particular currently faces a very challenging operating environment that is likely to last or even deteriorate further at least in the near term, DVB clearly pursues an anti-cyclical approach. (For further details on the transport sector see "Industry Report Card: Global Transportation", published on April 7, 2004, on RatingsDirect.)

Standard & Poor's expects DVB to further build its name recognition and to use its expertise and customer relationships for new transactions, thereby gaining market shares while maintaining prudent underwriting standards. While DVB's expansion is limited by its low capital levels, qualitative growth is needed to use the bank's facilities more efficiently and to reduce its improving, but still too high, cost-to-income ratio. Alongside cost containment, DVB's success in leveraging customer relations with higher margins (after risk), additional services and products (such as advisory, syndication, arranger functions, M&A, and mezzanine finance) are essential to improve and diversify its profitability, and to compensate also for the loss of its former nonstrategic operations. DVB's 2006/2007 targets are a ROE of 15% and a cost-to-income ratio of less than 50%. At the same time, ongoing sophisticated risk and collateral management, and sound lending practices are of paramount importance, given DVB's limited capital and earnings buffer against the volatile inherent risks of a pure transport orientation, particularly in aviation and shipping.

## ■ Asset Quality

DVB's asset quality in its transport portfolio (95.7% of customer lending) is sound, while it is weak in its significantly reduced nontransport exit portfolio (4.3% of customer lending), as reflected by disproportionate LLP levels. DVB's LLPs for its transport portfolio have remained at remarkably low levels to date, despite a very challenging market environment since 2001, particularly for aviation. However, DVB is structurally exposed to unexpected losses to concentration risk due to its focus on volatile and higher risk sectors. Furthermore, LLP levels are not a perfect indicator, as loans are often renegotiated and restructured.

However, Standard & Poor's draws comfort from DVB's proven expertise, steadily improved and sophisticated risk-management systems, sound credit and collateral guidelines, and the very high proportion of cash-flow-based collateralized transactions with reasonable LTV ratios. While maintaining these prerequisites should allow DVB to keep losses manageable, particularly considering its steadily improved net margins, DVB's buffer against unexpected losses is limited considering its low efficiency and capital base.

DVB's assets accounted for €9.1 billion at Dec. 31, 2003, after being boosted in 1998 by LTCB's loan portfolio acquisition and again in 2000 by Nedship's consolidation.

DVB's shipping loan portfolio (52% of customer loans) is 93% collateralized by vessels with an average LTV ratio of about 66%, and well diversified by type of vessels (focus: tankers, bulk carriers, and containers). Market rates in most shipping segments have shown the sharply cyclical nature of shipping, with strongly improved markets in 2003, after a difficult 2002 (see article entitled "CreditStats: Shipping Companies", published Sept. 8, 2003, on RatingsDirect.)

Aviation (27% of customer loans) is also well diversified by type of aircraft (90% split among Boeing, MC Donnell Douglas, and Airbus), by region (92% across North America, Europe, and Asia) and by vintage (30% produced after 2001 and 92% after 1991). Of the aviation portfolio, 95% is collateralized by aircrafts, of which 70% has an LTV ratio of less than 61%. The aviation sector has faced a very challenging operating environment since 2001, with significantly reduced air traffic volume and severe pressure on airline credit quality, aircraft values, and lease rates. These pressures accelerated in 2003 with the war in Iraq and the continued threat of terrorism (See for example "Industry Report Card: Global Aerospace & Defense", published on April 16, 2004, on RatingsDirect.)

Land Transport and Infrastructure (17% of customer loans) represents DVB's well-diversified traditional transport business (rail, road, and infrastructure), while the remainder (4% of customer loans) represents its exit portfolio of mixed nontransport corporate loans.

Until now, DVB's loan-loss reserves (LLRs; €107 million) have been virtually only made in its workout portfolio of nontransport corporate loans. Since 2001, only negligible new LLPs were made in DVB's shipping or aviation portfolio, where LLRs remained at the relatively low levels of €10.5 million and €0.6 million, respectively. DVB, however, started to set aside general LLRs (€15 million) for its transport portfolio at year-end 2003 as a buffer for unexpected negative future developments.

## ■ Profitability

DVB's profitability--although it has gradually improved--is expected to remain low by international standards and not diversified. Further improvement will now mainly depend on developments in the historically volatile shipping and aviation sector, strict cost control to overcome its low efficiency, a further successful work-out of the small exit portfolio, and the ability to compensate for the loss of former operations and investments. Pretax profit in 2003 and 2002 was largely distorted by extraordinary income from the sale of investments, but also by higher LLPs, of which almost three-fourths were set up as a buffer for unexpected losses in the transport sector in 2003.

With the sale of ReiseBank AG at year-end 2003, DVB lost a large portion of its net commission income (40% of revenues in 2003), which DVB expects to substitute--to a lesser extent--by increasing fee generation from additional services (for example, arranging structured finance transactions). Consequently, future earnings will strongly shift in favor of interest income (49% of revenues in 2003, increasing to about 75% from 2004 onward).

DVB's overall net interest margins improved by 20 basis points (bps) to 112 bps in 2003, after having been boosted in the past by the Nedship consolidation. DVB has been able to improve its margins in light of reduced competition and higher market price levels particularly for the shipping and aviation segment as a result of the aftermath of Sept. 11, a low interest rate environment, DVB's adjusted risk pricing policy, and its reduced low-yielding exit portfolio. While margins for new business increased strongly (between 20 bps and 50 bps) compared with average existing business in 2003, expected further improvements might smooth out over time, particularly in a higher interest rate environment, a more positive market climate, and considering that DVB does not benefit from lower cost retail deposits. In 2003, the average margin in new deals was: aviation 176 bps; shipping 149 bps; land transport 109 bps; and infrastructure 161 bps.

Standard & Poor's regards improving efficiency of paramount importance for DVB's profitability. The bank continues to be strongly committed to lowering its cost base, although its cost-to-income ratio was still at an unfavorable 77% at year-end 2003 despite improvements (excluding ReiseBank AG and CashExpress GmbH, however, ratios would have been somewhat more favorable). DVB is targeting a medium-term cost-to-income ratio of less than 50% until 2008; this ratio should have seen its peak in 2002/2003 when costs were fuelled by restructuring costs, state of the art IT investments, corporate finance expansion, and the winding down of its exit operations.

DVB has voluntarily disclosed the level of risk provisions (see Table 1).

Table 1 Risk Provisions						
	--Year-ended Dec. 31--					
	2003	2002	2001	2000	1999	1998
Loan-loss provisions (LLPs)	20.9	19.9	17.2	(1.1)	7.0	9.0
LLPs/average customer loans (net) (%)	0.30	0.29	0.26	(0.02)	0.24	0.44
LLPs/revenues (%)	10.80	10.20	9.00	(0.69)	5.00	8.18

LLPs had absorbed 11% of revenues as at Dec. 31, 2003, but 75% of this was set aside--for the first time--as general LLPs for future risk in its transport portfolio. So far, LLPs were virtually only needed in its exit portfolio, where future strains on profitability are expected to ease, considering the reduced size and late stage of the workout.

## ■ Asset-Liability Management

DVB's major funding source remains interbank funds (44% of liabilities at Dec. 31, 2003), as it lacks a retail customer base. Although DVB transferred its central bank function for the cooperative sector to DZ Bank at year-end 2002, it retained the liquidity management for the Sparda Banken, which ensures that the Sparda banks will do most of their interbank business with DVB at least until year-end 2004. As this provides DVB's funding with a stable funding base and covers its short-term funding needs, a decrease or discontinuation of this function would challenge DVB to find alternative refinancing at comparable costs. Furthermore, in times of stress DVB's parent, DZ Bank, should be able to provide funds to bridge liquidity gaps if required. A significant portion of DVB's interbank business is conducted with affiliated banks and its parent.

To broaden its international investor base and substitute funding needs, DVB has increasingly tapped the capital markets. Own bonds issued have risen to about 25% of liabilities, up from only 4% in 1997. Furthermore, DVB has increased its issue of structured products to reduce 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 remains 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

Standard & Poor's acknowledges as positive the strong-but necessary--capital improvements DVB has made in the past two years from the sale of its investment in ReiseBank AG, Cash Express, and Union Investment. Standard & Poor's still believes, however, that the level and quality of capital still represents a key weakness considering the risks inherent in the bank's business profile and lending operations, and the difficult market environment for both aviation and small and midsize domestic corporations. Furthermore, DVB's low earnings--although improving--and the lack of further significant reserves limit DVB's capital improvement potential to support further business growth.

DVB boosted its regulatory Tier 1 capital ratio by 180 bps to 6.8% at year-end 2003, up from 4.5% at year-end 1999. This ratio had reached 6.8% in 1998, but declined due to the acquisition of the LTCB portfolio. While DVB meets German regulatory capital requirements, DVB's economic capital strength is considerably lower when the goodwill from the Nedship acquisition and the quality of DVB's hybrid capital is taken into account.

The acquisition of Nedship was partially funded by a €64 million capital increase and to a larger extent through the issuance of weaker forms of capital, such as hybrid Tier 1 capital of €77.6 million, Tier 2 instruments of €152 million, and debt. DVB regulatory capital ratios according to KWG--in contrast to Bank for International Settlements guidelines--do not require the full goodwill deduction (€75 million at year-end 2003) from Tier 1 capital immediately, but allow banks to gradually increase the amount to be deducted equally from Tier 1 and Tier 2 capital, spread over a period of 10 years. This has also contributed to the improvement in DVB's regulatory Tier 1 ratio over time.

Standard & Poor's does not include dated hybrid capital in its core capital calculations (adjusted common equity [ACE]; considering the ability to absorb losses on a going-concern basis and permanence) and deducts goodwill from equity, therefore DVB's ACE-to-risk assets ratio improved to 4.8% (in contrast to regulatory capital) at Dec. 31, 2003, from 1.7% in 2001, but is still less than the 5% seen in 1998.

Table 2 Balance Sheet Statistics										
(Mil. €)	--Year ended Dec. 31--					Breakdown as a % of assets (adj.)				
	2003	2002	2001	2000	1999	2003	2002	2001	2000	1999
Assets										
Cash and money market instruments	503	523	724	210	1,188	5.60	5.69	6.68	2.25	17.28
Securities	507	812	1,104	882	1,176	5.64	8.84	10.19	9.44	17.11
Nontrading securities	507	812	1,104	882	1,176	5.64	8.84	10.19	9.44	17.11
Loans to banks (net)	1,075	920	2,039	1,755	1,062	11.97	10.01	18.81	18.79	15.45
Customer loans (net)	6,547	6,567	6,858	6,244	3,370	72.86	71.46	63.27	66.84	49.03
Public sector/government	239	368	268	299	295	2.66	4.00	2.47	3.20	4.30
All other loans	6,308	6,317	6,711	5,945	3,075	70.20	68.74	61.91	63.64	44.73
Earning assets	8,416	8,631	10,643	8,969	5,784	93.66	93.92	98.20	96.01	84.13
Equity interests/participations (nonfinancial)	57	71	26	18	13	0.64	0.77	0.24	0.20	0.19
Intangibles (nonservicing)	80	106	133	130	1	0.88	1.15	1.23	1.39	0.01
Fixed assets	38	60	49	21	14	0.43	0.66	0.45	0.23	0.20
Accrued receivables	7	5	7	10	12	0.08	0.05	0.07	0.11	0.17
All other assets	251	232	31	202	40	2.79	2.53	0.29	2.16	0.58
Total reported assets	9,065	9,296	10,972	9,472	6,875	100.88	101.15	101.23	101.39	100.01
Less nonservicing intangibles	(80)	(106)	(133)	(130)	(1)					
Adjusted assets	8,986	9,190	10,839	9,342	6,874	100.00	100.00	100.00	100.00	100.00

Table 2 Balance Sheet Statistics										
						Breakdown as a % of liabilities + equity				
	2003	2002	2001	2000	1999	2003	2002	2001	2000	1999
Liabilities										
Total deposits	5,889	6,951	8,128	7,205	5,720	64.96	74.77	74.08	76.07	83.20
Noncore deposits	3,781	4,855	5,418	4,709	3,970	41.71	52.23	49.38	49.72	57.75
Core/customer deposits	2,108	2,096	2,710	2,496	1,750	23.26	22.54	24.70	26.35	25.45
Other borrowings	2,646	1,933	2,406	1,904	841	29.19	20.80	21.93	20.11	12.23
Other liabilities	94	118	182	111	137	1.03	1.27	1.66	1.17	2.00
Total liabilities	8,629	9,002	10,716	9,220	6,698	95.19	96.84	97.66	97.34	97.42
Total shareholders' equity	436	294	257	252	177	4.81	3.16	2.34	2.66	2.58
Common shareholders' equity (reported)	436	294	257	252	177	4.81	3.16	2.34	2.66	2.58
Share capital and surplus	77	77	77	77	57	0.85	0.83	0.70	0.81	0.84
General banking risk reserves	82	8	0	0	0	0.91	0.09	0.00	0.00	0.00
Reserves (incl. inflation revaluations)	270	204	175	175	120	2.98	2.19	1.60	1.85	1.74
Retained profits	6	5	5	0	0	0.07	0.05	0.04	0.00	0.00
Total liabilities and equity	9,065	9,296	10,972	9,472	6,875	100.00	100.00	100.00	100.00	100.00
Less revaluation reserve, intangibles	(80)	(106)	(133)	(130)	(1)					
Tangible total equity	357	188	117	122	176					
Tangible common equity	357	188	117	122	176					
Adjusted common equity	357	188	117	122	176					
Adjusted total equity	357	188	117	122	176					

Table 3 Profit and Loss Statement Statistics											
	--Year ended Dec. 31--					Adj. avg. assets (%)					
(Mil. €)	2003	2002	2001	2000	1999	-	2003	2002	2001	2000	1999
Profitability											
Interest income	383	449	538	429	278		4.21	4.48	5.33	5.29	4.14
Interest expense	287	360	458	371	231		3.16	3.60	4.54	4.57	3.43
Net interest income	95	88	79	58	47		1.05	0.88	0.78	0.72	0.71
Operating noninterest income	98	107	112	103	92		1.08	1.07	1.11	1.27	1.37
Fees and commissions	88	93	98	90	73		0.97	0.93	0.97	1.11	1.09
Equity in earnings of unconsolidated subsidiaries	(7)	2	3	1	2		(0.07)	0.02	0.03	0.02	0.03
Trading gains	4	5	6	8	11		0.04	0.05	0.06	0.10	0.16
Gains/ (losses) on liquidity portfolio securities	(0)	0	1	0	0		0.00	0.00	0.01	0.00	0.00
Other noninterest income	13	7	4	3	7		0.14	0.07	0.04	0.04	0.10
Operating revenues	194	195	191	161	140		2.13	1.95	1.89	1.99	2.08
Noninterest expenses	149	166	160	135	108		1.64	1.66	1.59	1.67	1.61
Personnel expenses	68	73	66	60	49		0.75	0.73	0.65	0.74	0.73
Other general and administrative expense	68	78	78	64	54		0.74	0.78	0.77	0.80	0.80
Amortization of intangibles	0	0	0	4	0		0.00	0.00	0.00	0.05	0.00
Depreciation and amortization-other	13	15	17	7	6		0.14	0.15	0.17	0.08	0.09
Net operating income before loss provisions	45	29	31	26	31		0.49	0.29	0.30	0.32	0.47
Credit-loss provisions (net new)	20	20	27	(4)	6		0.22	0.20	0.27	(0.05)	0.08
Net operating income after loss provisions	25	9	3	26	31		0.49	0.09	0.03	0.32	0.47
Nonrecurring/special income	91	39	16	2	0		1.00	0.39	0.16	0.03	0.00
General banking risk provisions	74	8	(10)	0	0		0.81	0.08	(0.10)	0.00	0.00

Table 3 Profit and Loss Statement Statistics											
(Mil. €)	--Year ended Dec. 31--					Adj. avg. assets (%)					
	2003	2002	2001	2000	1999	2003	2002	2001	2000	1999	
Nonrecurring/special expense	0	6	19	0	2	0.00	0.06	0.19	0.00	0.03	
Pretax profit	41	34	10	31	23	0.45	0.34	0.10	0.38	0.34	
Tax expense/credit	(31)	2	6	12	7	(0.34)	0.02	0.06	0.14	0.11	
Net income after extraordinary	72	33	5	19	16	0.79	0.33	0.04	0.24	0.23	
Core earnings	N.A.	9	(5)	18	17	N.A.	0.09	(0.05)	0.22	0.25	
	2003	2002	2001	2000	1999						
Asset Quality											
Average balance sheet											
Average customer loans	6,557	6,712	6,551	4,807	2,902						
Average earning assets	8,523	9,637	9,806	7,376	6,072						
Average assets	9,180	10,134	10,222	8,173	6,720						
Average total deposits	6,420	7,539	7,666	6,462	5,584						
Average interest-bearing liabilities	8,710	9,709	9,821	7,835	6,456						
Average common equity	365	275	254	214	182						
Average adjusted assets	9,088	10,014	10,090	8,108	6,720						
Other data											
Number of employees (end of period, actual)	361	N.A.	N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	N.A.	
Off-balance-sheet credit equivalents	1,264	1,530	1,679	1,549	823						
N.A.--Not available.											

Table 4 Ratio Analysis					
	--Year ended Dec. 31--				
	2003	2002	2001	2000	1999
ANNUAL GROWTH (%)					
Customer loans (net)	(2.06)	(4.21)	11.77	85.25	38.51
Loss reserves	(100.00)	(2.40)	N.M.	N.M.	N.M.
Adjusted assets	(2.22)	(15.21)	16.02	35.90	4.71
Customer deposits	0.60	(22.68)	8.60	42.62	(6.39)
Tangible common equity	90.13	60.25	(4.09)	(30.82)	16.85
Total equity	48.62	14.31	1.98	42.18	17.27
Operating revenues	(0.88)	2.17	18.60	15.39	24.58
Noninterest expense	(10.40)	3.61	18.81	24.78	12.64
Net operating income before provisions	53.52	(5.36)	17.51	(16.91)	96.09
Pretax profit	19.01	232.78	(66.50)	34.91	207.37
Net income	119.83	623.14	(76.48)	23.13	212.63

Table 4 Ratio Analysis					
	--Year ended Dec. 31--				
	2003	2002	2001	2000	1999
PROFITABILITY (%)					
Interest Margin Analysis					
Net interest income (taxable equiv.)/avg. earning assets	1.12	0.91	0.81	0.79	0.78
Net interest spread	1.19	0.94	0.81	1.08	1.01
Interest income (taxable equiv.)/avg. earning assets	4.49	4.65	5.48	5.81	4.58
Interest income on loans/avg. total loans	4.65	4.90	5.76	5.96	5.69
Interest expense/avg. interest-bearing liabilities	3.30	3.71	4.67	4.73	3.57
Revenue Analysis					
Net interest income/revenues	49.25	45.15	41.38	36.08	33.94
Fee income/revenues	45.63	47.62	51.47	55.92	52.21
Market-sensitive income/revenues	1.94	2.39	3.43	5.11	7.89
Noninterest income/revenues	50.75	54.85	58.62	63.92	66.06
Personnel expense/revenues	35.36	37.23	34.45	37.22	34.94
Noninterest expense/revenues	76.94	85.11	83.93	83.78	77.47
Noninterest expense/revenues less investment gains	76.86	85.11	84.37	83.78	77.47
Expense less amortization of intangibles/revenues	76.94	85.11	83.93	81.45	77.47
Expense less all amortizations/revenues	70.33	77.37	75.15	77.24	73.34
Net operating income before provision/revenues	23.06	14.89	16.07	16.22	22.53
Net operating income after provisions/revenues	12.80	4.70	1.74	16.22	22.53
New loan-loss provisions/revenues	10.31	10.19	14.34	(2.48)	4.29
Net nonrecurring/abnormal income/revenues	8.64	12.91	3.67	1.43	(1.65)
Pretax profit/revenues	21.13	17.60	5.40	19.13	16.36
Net income/revenues	36.99	16.68	2.36	11.88	11.13
Tax/pretax profit	(75.04)	5.24	56.39	37.89	31.95
	2003	2002	2001	2000	1999
Other Returns					
Pretax profit/avg. risk assets (%)	0.54	0.43	0.13	0.54	0.63
Net income/avg. risk assets (%)	0.95	0.41	0.06	0.34	0.43
Revenues/avg. risk assets (%)	2.57	2.47	2.45	2.85	3.84
Net operating income before loss provisions/avg. risk assets (%)	0.59	0.37	0.39	0.46	0.86
Net income before minority interest/avg. adjusted assets	0.79	0.33	0.04	0.24	0.23
Net income/employee (€)	176,355	64,880	4,791	21,132	19,535
Personnel expense/employee (€)	168,547	144,801	70,044	66,203	61,307
Cash earnings/avg. tang. common equity (ROE) (%)	31.01	31.30	17.80	19.88	13.02
Core earnings/avg. tang. common equity (ROE) (%)	N.A.	5.99	(3.97)	11.87	10.46

Table 4 Ratio Analysis					
	--Year ended Dec. 31--				
	2003	2002	2001	2000	1999
FUNDING AND LIQUIDITY (%)					
Customer deposits/funding base	24.70	23.59	25.73	27.40	26.67
Total loans/customer deposits	361.55	362.89	332.72	320.53	253.33
Total loans/customer deposits + long-term funds	146.84	175.93	168.73	172.51	160.16
Customer loans (net)/assets (adj.)	72.86	71.46	63.27	66.84	49.03
	2003	2002	2001	2000	1999
CAPITALIZATION (%)					
Adjusted common equity/adjusted assets	3.97	2.04	1.08	1.31	2.57
Adjusted common equity/risk assets	4.77	2.48	1.42	1.66	4.44
Adjusted common equity/customer loans (net)	5.45	2.86	1.71	1.95	5.24
Internal capital generation/prior year's equity	24.40	12.69	1.79	10.81	10.30
Tier 1 capital ratio	6.80	5.80	5.00	5.70	4.46
Regulatory total capital ratio	11.10	10.40	9.50	10.20	8.60
Adjusted total equity/adjusted assets	3.97	2.04	1.08	1.31	2.57
Adjusted total equity/risk assets	4.77	2.48	1.42	1.66	4.44
N.A.--Not available. N.M.--Not meaningful.					

## ■ Analyst E-mail Addresses

[harm\\_semder@standardandpoors.com](mailto:harm_semder@standardandpoors.com)

[stefan\\_best@standardandpoors.com](mailto:stefan_best@standardandpoors.com)

[FIG\\_Europe@standardandpoors.com](mailto:FIG_Europe@standardandpoors.com)

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