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Research

Realkredit Danmark A/S

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CREDIT RATING	Not Rated
Outstanding Rating(s)	Not Rated
Sovereign Rating	
Denmark (Kingdom of)	AAA/Stable/A-1+
Related Entities	
Danske Bank A/S	
Counterparty Credit	AA-/Stable/A-1+
Certificate of deposit	AA-/A-1+
Senior unsecured	
<i>Local currency</i>	NR
Senior unsecured	
<i>Foreign currency</i>	AA-
Commercial paper	
<i>Local currency</i>	NR
Commercial paper	
<i>Foreign currency</i>	A-1+
Subordinated	
<i>Foreign currency</i>	A
Danica Pension, Livsforsikringsaktieselskab	
Counterparty Credit	
<i>Local currency</i>	AA-/Stable

■ Rationale

The 'AAA' senior secured debt rating on the covered bonds (realkreditobligationer) issued by the General Capital Center of Realkredit Danmark A/S covers 86% of the bonds issued by Realkredit Danmark, and applies to all new bonds issued. The rating primarily reflects the realkreditobligationer collateral, coupled with protections afforded by Danish insolvency and banking laws. Realkredit Danmark maintains a segregated, revolving pool of high-quality mortgage assets, on which the holders of realkreditobligationer have a preferential claim. The amount of collateral is sufficient to absorb potential credit losses and pay interest on and repay principal of the realkreditobligationer as they become due, even in the unlikely case of Realkredit Danmark becoming unable to meet its obligations. The quality of the collateral pool and the adequacy of the underlying cash flows are subject to regular surveillance by Standard & Poor's. The rating also reflects the sound quality of Realkredit Danmark's management, control, and expertise.

Realkredit Danmark is a core subsidiary of Danske Bank A/S (AA-/Stable/A-1+), and is Danske Bank's Mortgage Finance business area. Danske Bank is the largest financial services group in Denmark and is among the leaders in the Nordic region. Realkredit Danmark's total assets represented 30% of consolidated Danske Bank group assets of Danish krone (Dkr) 1.8 trillion (€245 billion at Dkr7.45 to €1) at March 31, 2004.

Realkredit Danmark benefits from a strong and effective distribution capability, robust core capitalization, high asset quality, and the concentration of its lending in the relatively low-risk area of residential housing. Profitability has traditionally been moderate due to the low-margin nature of mortgage lending.

Realkredit Danmark's total assets amounted to Dkr561 billion (€75.5 billion at Dkr7.43 to €1) at March 31, 2004, corresponding to a 31.3% market share of gross mortgage lending and a 34.7% share of outstanding bond debt. The company is a monoline product provider, offering mortgages secured by residential, commercial, agricultural, and industrial properties. The company introduced a new interest-only mortgage product in the second half of 2003, the sales of which have exceeded expectations. Mortgages are funded back-to-back by realkreditobligationer.

Capitalization remains robust. The company's Tier 1 ratio was 10.2% at March 31, 2004. Loan quality is high: on average, the loan-to-value ratio is 61%, and the level of nonperforming loans (NPLs) remains very low. Profitability remains under pressure due to the low interest rate environment, but has held up well in the first quarter of 2004, resulting in a 0.82% annualized return on risk-weighted assets at March 31, 2004, compared with 0.75% in 2003. Preprovision core earnings at Dkr527 million in the first quarter 2004 were down by 4.7% in line with expectations, and are expected to remain flat in 2004 compared with 2003.

Standard & Poor's expects mortgage finance to remain a core strategic business area in the Danske Bank group, providing a steady income stream from low-risk assets. Standard & Poor's also expects Realkredit Danmark's credit fundamentals to remain strong, and will monitor economic risks in Denmark--particularly asset price inflation and increasing household indebtedness--which could affect the level of NPLs.

■ Profile

With total assets of Dkr561 billion at March 31, 2004, Realkredit Danmark is the second-largest mortgage credit institution in Denmark. It is the mortgage finance arm of Danske Bank (AA-/Stable/A-1+). The company's main competitor is Nykredit Realkredit A/S (---/A-1), with assets of Dkr775 billion at March 31, 2004.

With a base of about 550,000 customers, Realkredit Danmark offers mortgages to the private (retail) and corporate markets. The company boasts a broad and innovative product range. Following the introduction of the adjustable-rate mortgage product, Realkredit Danmark launched interest-only mortgages in 2003, and these have quickly become a popular.

The company distributes its loans both through Realkredit branded branch offices and through the branch network of the Danske Bank group. As the client base in Realkredit Danmark contain both Danske Bank clients and clients of other Danish banks, management sees it as a priority to maintain a multi-brand distribution to defend market share and meet client preferences.

Managerial and operational integration with Danske Bank has increased substantially over the past three years, and is expected to continue. Danske Bank performs a number of tasks for its mortgage finance subsidiary: these are mainly IT operations and product innovation, which were centralized in Danske Bank at the start of 2002; property administration; portfolio management of own funds (earnings from investment portfolios); human resources; and purchasing and logistics. Realkredit Danmark's risk management is also closely integrated with that of its parent.

■ Strategy

Realkredit Danmark's aim is to be the market leader in Danish mortgage finance. This is to be achieved by combining a high degree of integration with Danske Bank in all areas that allow economies of scale with retention of the unique brand of Realkredit Danmark, including its own branch network and sales channels. The multi-brand strategy is needed to cater for the substantial proportion of clients base that is attached to Realkredit Danmark only. Maintenance of the lowest possible cost ratios are critical for success in this low-margin business; the costs-to-core income ratio target is about 30%. Standard & Poor's considers Realkredit Danmark's strategies appropriate and achievable.

Realkredit Danmark has different pricing strategies for the private and corporate markets. On the private market, prices are transparent and fixed, although discounts are offered, whereas on the corporate market, prices are less transparent and variable, and are set using estimates of the risk-adjusted return on capital employed.

■ Ownership and Legal Status

Realkredit Danmark is a wholly owned subsidiary of Danske Bank A/S. The company is licensed by Finanstilsynet (the Danish Financial Supervisory Authority/DFSA) as a "realkreditaktieselskab", or mortgage credit institution, and regulated under the Danish Financial Business Act and associated laws and regulations.

■ Asset Quality

Asset quality is expected to remain good, although Realkredit Danmark operates solely in the Danish market, and depends on its sustained performance for its long-term asset quality. For the past decade, the Danish economy has provided ideal conditions for a specialized mortgage lender, with low unemployment, falling interest rates, and a steady growth in lending. Standard and & Poor's does not expect this picture to change much in the short to medium term, and consequently bases its rating expectations on sustained low levels of nonperforming loans and limited new provisions needs.

Realkredit Danmark reported net credit write-backs in the six fiscal years through 2002. In 2003, there was a marginal increase in net new provisions, amounting to 0.01% of net loans. In 2004, however, the trend has reversed, with net new provisions close to zero in the first quarter of 2004.

Increasing leverage in the Danish household sector, however, is a trend that warrants close monitoring, and could present challenges in a less favorable economic environment. Economic growth in Denmark is forecast to accelerate in 2004 and 2005 after a weak year in 2003.

Management is committed to a strong loan portfolio, and Standard & Poor's expects asset quality to be maintained at sound levels. This is due to the strong legal framework within which Realkredit Danmark operates; maintained conservative statutory lending principles; tighter credit risk management; and a higher concentration of loans in the private market. Danish residential property lending still offers good risk-reward trade-offs, despite intense competition and narrow margins.

The predominant asset class is mortgage loans. At Dkr503 billion at March 31, 2004, mortgage loans showed 3.7% annual growth and represented about 90% of total assets.

The statutory provisions governing loan-to-value (LTV) limits, maturities, and repayment profiles aim to limit credit risk. These limits are not exceeded even if a borrower is highly creditworthy, as the valuation of the property is the determinant of the loan size. LTVs are calculated on a current basis to monitor portfolio risks. By LTV, the total loan portfolio average was 61% at year-end 2003.

At year-end 2003, the private market accounted for 62% of Realkredit Danmark's loan portfolio, and the corporate market 38%. The private market comprises loans for owner-occupied housing and holiday homes, and the corporate market comprises loans to urban trades, agriculture, and residential rental property. Loans to residential rental property accounted for 54% of the corporate mortgage loan portfolio in 2003. Corporate market mortgage loans are mainly of small to medium size, thus reducing large exposure risk. About 60% are loans to properties with outstanding debt of less than Dkr10 million.

The portfolio is well diversified throughout Denmark, and roughly reflects population distribution, although the Copenhagen region accounts for about 40%.

Realkredit Danmark's NPLs increased marginally to Dkr308 million in 2003, or 0.06% of customer loans. Typically for the Danish market, the coverage (loan-loss reserves to NPLs) ratio was very high; at 149% in 2003. At this level the company's asset-quality indicators compare favorably with domestic and regional peers.

■ Profitability

Realkredit Danmark's profitability reflects the low but stable margin that is characteristic of mortgage lending. Standard & Poor's bases its current ratings on the expectation that this picture will remain broadly unchanged in the coming two to three years. The Danish mortgage market was opened to new entrants in 1993, when margins tightened to about 50 basis points for residential lending. Pricing for commercial real estate and other types of properties may vary slightly more, but, overall, the margins have been very stable since then.

As Danish GAAP already requires non-loan financial assets to be marked to market, performance can fluctuate considerably without any change to underlying risk pricing or performance. As Danish regulation requires a very tight balancing of loans and corresponding bonds, most of the volatility in earnings seen in Realkredit Danmark arise from its own equity, the investment of which may carry slightly higher market risk levels than the loan portfolio.

Standard & Poor's expects to see improving bottom-line profitability in the medium term owing to higher volumes of retail loans, better efficiency, and a still very low, but slightly rising, provisioning charge.

Operating revenues totaled Dkr4.14 billion in 2003 and Dkr1.03 in the first quarter of 2004, indicating that this year will be a comparable year to 2003 in terms of revenue. While the nominal rate of interest and the growth in lending are key determinants of revenue important contributions also come from fees levied on prepaid loan. The extent to which loans are prepaid is in turn a function of interest rate volatility. Rates fell in 2003, creating a record level of prepayments. Rates are expected to rise in 2004, thereby reducing such revenue.

Costs were Dkr1.6 billion in 2003, up Dkr163 million, or about 10%, year-on-year. This increase was driven by IT integration and new-product systems costs, notably for interest-only loans. The cost-to-core income ratio deteriorated to 38% at Dec. 31, 2003, compared with 34% in 2002. In the first quarter of 2004, the ratio dropped to 31% as the integration costs and product development costs reduced. Standard & Poor's fully expects an improvement in the efficiency ratio in the medium term.

Net income of Dkr1.9 billion at Dec. 31, 2003, was unchanged compared with 2002, and, as assets grew, the risk net income-to-risk-adjusted assets ratio dropped to 0.75% from 0.83% in 2002. The lower costs in the first quarter of 2004 had an immediate impact on profitability, with the aforementioned ratio at 0.8% on an annualized basis.

■ Asset-Liability Management

Realkredit Danmark is fully funded by Danish bonds. The market is one of the oldest in Europe and one of the most liquid in terms of trading. Bonds are an essential part of Denmark's economy, as the issuance and trading of bonds involves everyone who owns real estate.

The traditional mortgage loan is a 30-year fixed rate callable loan funded by a bond with the same interest rate terms and repayment structure. Prepayment risk is thus eliminated for the issuer, as the borrower has to buy back bonds with the same terms and conditions as his or her loan when prepaying. Adjustable-rate mortgage loans (ARMs), however, have increased in popularity in recent years as nominal interest rates have fallen and the yield curve has provided competitive terms for the borrower. ARMs expose the borrower to some interest-rate risk. In 2003, interest-only loans were introduced, further increasing flexibility for borrowers but increasing the demands on the mortgage banks to correctly assess borrowers' ability to repay debt.

At the end of 2002, Realkredit Danmark's bonds issued amounted to Dkr603 billion. As a result of shifting borrower preference for adjustable-rate mortgages, the composition of the funding portfolio has shifted markedly in the past five years. In 2003, the issuance of new non-callable bonds amounted to Dkr159 billion, compared with Dkr78 billion of callable bonds. This relative distribution of lending was broadly unchanged from 2002. In the longer term, this pattern still represent a major change, as about five years ago callable loans were clearly the dominant instruments. Today's demand for callable or non-callable loans is based on interest-rate expectations and the current cost of borrowing.

The company is succeeding in its strategic aims to have a strong and diversified investor base and to further internationalize funding. At the end of 2003, financial institutions accounted for 40% of bonds, and foreign investors accounted for 14% of bonds. Ownership by foreign investors is slowly increasing.

Danish mortgage legislation prohibits the issuing institution from taking interest rate or currency risk from lending versus funding mismatches (this is referred to as the Balance Principle). At year-end 2003, its interest rate risk on lending amounted to Dkr2 million, well below the statutory maximum of 1% of the capital base (equal to Dkr273 million at year-end 2003).

On assets other than the mortgage loan portfolio, the maximum interest rate risk is set at 8% of the company's capital base. The basis for this limit is a one percentage-point parallel shift of the yield curve. At year-end 2002, 8% of Realkredit Danmark's capital base was Dkr2,182 million and its interest rate risk was Dkr263 million. Currency risk remains very limited, and the regulation stipulates a maximum limit of 0.1% of an institution's capital base. At year-end 2003, the company's exchange-rate risk was Dkr2 million.

■ Capital

Standard & Poor's bases its assessment of Realkredit Danmark and the Danske Bank group on the expectation that management will remain committed to its stated regulatory capitalization targets (a Tier 1 ratio of about 9.6%, set at year-end 2001) and that capital will be managed in accordance with the economic risk inherent in any particular asset class. Realkredit Danmark's core capital position is robust and its quality is high. Capital ratios have demonstrated a strengthening trend in recent years. They are well above the statutory minimum requirement, and compare favorably with domestic and regional peers.

At the end of the first quarter 2004, Standard & Poor's core capitalization measures--its adjusted common equity (ACE)-to-adjusted assets and ACE-to-risk assets ratios--were 4.95% and 10.51%, respectively, which are considered robust given expected higher retained earnings. Realkredit Danmark's shareholders' equity stood at the end of the first quarter of 2004, at Dkr27.7 billion, of which share capital accounted for Dkr0.6 billion. Capital management is closely integrated with that of Danske Bank, and consequently Realkredit Danmark has introduced a RAROC-based risk management and reporting system, which takes account of the risk-adjusted return on capital employed, as a capital management tool.

Table 1 Balance Sheet Statistics											
	--Year ended Dec. 31--					Breakdown as a % of assets (adj.)					
(Mil. Dkr)	2004*	2003	2002	2001	2000	-	2004*	2003	2002	2001	2000
Assets											
Cash and money market instruments	22,401	14,914	33,174	35,786	27,583		3.99	2.30	5.16	5.98	6.51
Securities	33,154	128,075	132,461	106,708	60,939		5.91	19.79	20.61	17.82	14.39
Nontrading securities	33,154	128,075	132,461	106,708	60,939		5.91	19.79	20.61	17.82	14.39
Mortgage-backed securities included above	N.A.	114,334	127,376	97,589	56,549		N.A.	17.67	19.82	16.30	13.35
Customer loans (gross)	503,133	498,497	469,940	449,068	324,376		89.65	77.03	73.13	75.01	76.59
Residential real estate loans	503,133	498,023	469,479	448,518	322,937		89.65	76.96	73.06	74.92	76.25
All other loans	N.A.	474	461	550	1,439		N.A.	0.07	0.07	0.09	0.34
Loan loss reserves	N.A.	460	526	521	554		N.A.	0.07	0.08	0.09	0.13
Customer loans (net)	503,133	498,037	469,414	448,547	323,822		89.65	76.96	73.05	74.93	76.46
Earning assets	558,688	641,473	631,357	591,556	412,683		99.55	99.12	98.25	98.82	97.44
Equity interests/participations (nonfinancial)	N.A.	248	246	268	522		N.A.	0.04	0.04	0.04	0.12
Fixed assets	N.A.	773	711	717	704		N.A.	0.12	0.11	0.12	0.17
Derivatives credit amount	N.A.	63	395	192	85		N.A.	0.01	0.06	0.03	0.02
Accrued receivables	N.A.	20	20	1	0		N.A.	0.00	0.00	0.00	0.00
All other assets	2,551	5,016	6,160	6,424	9,864		0.45	0.78	0.96	1.07	2.33
Total reported assets	561,239	647,146	642,581	598,643	423,519		100.00	100.00	100.00	100.00	100.00
Adjusted assets	561,239	647,146	642,581	598,643	423,519		100.00	100.00	100.00	100.00	100.00
							Breakdown as a % of liabilities + equity				
	2004*	2003	2002	2001	2000		2004*	2003	2002	2001	2000
Liabilities											
Total deposits	N.A.	14	84	198	193		N.A.	0.00	0.01	0.03	0.05
Noncore deposits	N.A.	14	84	198	182		N.A.	0.00	0.01	0.03	0.04
Core/customer deposits	N.A.	0	0	0	11		N.A.	0.00	0.00	0.00	0.00
Repurchase agreements	N.A.	898	31,489	22,024	6,040		N.A.	0.14	4.90	3.68	1.43
Other borrowings	526,253	603,120	567,912	536,352	391,114		93.77	93.20	88.38	89.59	92.35
Other liabilities	7,222	15,877	17,848	16,815	8,853		1.29	2.45	2.78	2.81	2.09
Total liabilities	533,475	619,909	617,333	575,389	406,199		95.05	95.79	96.07	96.12	95.91
Total shareholders' equity	27,764	27,237	25,248	23,254	17,320		4.95	4.21	3.93	3.88	4.09
Common shareholders' equity (reported)	27,764	27,237	25,248	23,254	17,320		4.95	4.21	3.93	3.88	4.09
Share capital and surplus	N.A.	625	625	625	500		N.A.	0.10	0.10	0.10	0.12
Reserves (incl. inflation revaluations)	N.A.	24,695	22,633	20,702	15,683		N.A.	3.82	3.52	3.46	3.70
Retained profits	N.A.	1,917	1,990	1,927	1,138		N.A.	0.30	0.31	0.32	0.27
Other equity	27,764	N.A.	N.A.	N.A.	N.A.		4.95	N.A.	N.A.	N.A.	N.A.
Total liabilities and equity	561,239	647,146	642,581	598,643	423,519		100.00	100.00	100.00	100.00	100.00
Tangible total equity	27,764	27,237	25,248	23,254	17,266						
Tangible common equity	27,764	27,237	25,248	23,254	17,266						
Adjusted common equity	27,764	27,237	25,248	23,254	17,266						
Adjusted total equity	27,764	27,237	25,248	23,254	17,266						

*Data as of March 31, 2004. Ratios annualized where appropriate. Financial statements are audited, consolidated, and prepared according to local GAAP. N.A.--Not available.

Table 2 Profit and Loss Statement Statistics										
	--Year ended Dec. 31--					Adj. avg. assets (%)				
(Mil. Dkr)	2004*	2003	2002	2001	2000	2004*	2003	2002	2001	2000
Profitability										
Interest income	803	29,855	28,734	29,807	22,767	0.53	4.63	4.63	5.83	5.60
Interest expense	0	25,768	25,209	26,390	20,347	0.00	4.00	4.06	5.16	5.00
Net interest income	803	4,087	3,525	3,417	2,420	0.53	0.63	0.57	0.67	0.60
Operating noninterest income	236	54	648	532	447	0.16	0.01	0.10	0.10	0.11
Fees and commissions	33	326	302	132	175	0.02	0.05	0.05	0.03	0.04
Equity in earnings of unconsolidated subsidiaries	N.A.	18	29	23	48	N.A.	0.00	0.00	0.00	0.01
Trading gains	127	(430)	178	194	152	0.08	(0.07)	0.03	0.04	0.04
Other noninterest income	76	140	139	183	72	0.05	0.02	0.02	0.04	0.02
Operating revenues	1,039	4,141	4,173	3,949	2,867	0.69	0.64	0.67	0.77	0.71
Noninterest expenses	324	1,598	1,435	1,319	1,286	0.21	0.25	0.23	0.26	0.32
Personnel expenses	N.A.	586	601	623	492	N.A.	0.09	0.10	0.12	0.12
Other general and administrative expense	324	1,003	816	675	687	0.21	0.16	0.13	0.13	0.17
Depreciation and amortization-other	N.A.	9	18	21	107	N.A.	0.00	0.00	0.00	0.03
Net operating income before loss provisions	715	2,543	2,738	2,630	1,581	0.47	0.39	0.44	0.51	0.39
Credit loss provisions (net new)	2	24	(74)	(33)	(64)	0.00	0.00	(0.01)	(0.01)	(0.02)
Net operating income after loss provisions	713	2,519	2,812	2,663	1,645	0.47	0.39	0.45	0.52	0.40
Nonrecurring/special expense	N.A.	0	0	115	0	N.A.	0.00	0.00	0.02	0.00
Pretax profit	713	2,519	2,812	2,548	1,645	0.47	0.39	0.45	0.50	0.40
Tax expense/credit	186	609	822	621	507	0.12	0.09	0.13	0.12	0.12
Net income before minority interest	527	1,910	1,990	1,927	1,138	0.35	0.30	0.32	0.38	0.28
Net income before extraordinary	527	1,917	1,990	1,927	1,138	0.35	0.30	0.32	0.38	0.28
Net income after extraordinary	527	1,917	1,990	1,927	1,138	0.35	0.30	0.32	0.38	0.28
Core earnings	527	1,917	1,990	2,014	1,138	0.35	0.30	0.32	0.39	0.28
	2004*	2003	2002	2001	2000					
Asset Quality										
Nonperforming assets	N.A.	308	252	290	419					
Nonaccrual loans	N.A.	308	252	290	419					
Net charge-offs	N.A.	90	(79)	2	59					
Average balance sheet										
Average customer loans	500,585	483,726	458,981	386,185	328,950					
Average earning assets	600,081	636,415	611,457	502,120	400,148					
Average assets	604,193	644,864	620,612	511,081	406,636					
Average total deposits	7	49	141	196	943					
Average interest-bearing liabilities	565,143	601,759	579,030	477,960	380,849					
Average common equity	27,501	26,243	24,251	20,287	16,770					
Average adjusted assets	604,193	644,864	620,612	511,081	406,609					
Other data										
Number of employees (end of period, actual)¶	973	981	1,043	954	1,024					
Off-balance-sheet credit equivalents	N.A.	1,255	1,151	123	413					
*Data as of March 31, 2004. Ratios annualized where appropriate. ¶200 staff nominally transferred within Danske Bank Group to RD within 2002. Financial statements are audited, consolidated, and prepared according to local GAAP. N.A.--Not available.										

Table 3 Ratio Analysis					
	--Year ended Dec. 31--				
	2004*	2003	2002	2001	2000
ANNUAL GROWTH (%)					
Customer loans (gross)	3.72	6.08	4.65	38.44	(3.10)
Loss reserves	(400.00)	(12.55)	0.96	(5.96)	(18.42)
Adjusted assets	(53.10)	0.71	7.34	41.35	8.68
Customer deposits	N.M.	N.M.	N.M.	(100.00)	(56.13)
Tangible common equity	7.74	7.88	8.57	34.68	4.43
Total equity	7.74	7.88	8.57	34.26	6.79
Operating revenues	0.36	(0.77)	5.67	37.74	(0.70)
Noninterest expense	(18.90)	11.36	8.79	2.57	(5.79)
Net operating income before provisions	12.47	(7.12)	4.11	66.35	3.86
Loan loss provisions	(66.67)	N.M.	N.M.	N.M.	N.M.
Net operating income after provisions	13.22	(10.42)	5.60	61.88	2.76
Pretax profit	13.22	(10.42)	10.36	54.89	2.76
Net income	10.37	(4.02)	3.27	69.33	(3.07)
	2004*	2003	2002	2001	2000
PROFITABILITY (%)					
Interest Margin Analysis					
Net interest income (taxable equiv.)/avg. earning assets	0.54	0.64	0.58	0.68	0.60
Net interest spread	0.54	0.41	0.35	0.41	0.35
Interest income (taxable equiv.)/avg. earning assets	0.54	4.69	4.70	5.94	5.69
Interest income on loans/avg. total loans	N.A.	5.30	5.56	6.84	5.74
Interest expense/avg. interest-bearing liabilities	N.A.	4.28	4.35	5.52	5.34
Revenue Analysis					
Net interest income/revenues	77.29	98.70	84.47	86.53	84.41
Fee income/revenues	3.18	7.87	7.24	3.34	6.10

*Data as of March 31, 2004. Ratios annualized where appropriate. Financial statements are audited, consolidated, and prepared according to local GAAP. N.A.--Not available. N.M.--Not meaningful.

Table 3 Ratio Analysis -cont...					
	--Year ended Dec. 31--				
	2004*	2003	2002	2001	2000
Market-sensitive income/revenues	12.22	(10.38)	4.27	4.91	5.30
Noninterest income/revenues	22.71	1.30	15.53	13.47	15.59
Personnel expense/revenues	0.00	14.15	14.40	15.78	17.16
Noninterest expense/revenues	31.18	38.59	34.39	33.40	44.86
Noninterest expense/revenues less investment gains	31.18	38.59	34.39	33.40	44.86
Expense less amortization of intangibles/revenues	31.18	38.59	34.39	33.40	44.86
Expense less all amortizations/revenues	31.18	38.37	33.96	32.87	41.12
Net operating income before provision/revenues	68.82	61.41	65.61	66.60	55.14
Net operating income after provisions/revenues	68.62	60.83	67.39	67.43	57.38
New loan loss provisions/revenues	0.19	0.58	(1.77)	(0.84)	(2.23)
Net nonrecurring/abnormal income/revenues	0.00	0.00	0.00	(2.91)	0.00
Pretax profit/revenues	68.62	60.83	67.39	64.52	57.38
Net income/revenues	50.72	46.12	47.69	48.80	39.69
Tax/pretax profit	26.09	24.18	29.23	24.37	30.82
	2004*	2003	2002	2001	2000
Other Returns					
Pretax profit/avg. risk assets (%)	1.08	0.99	1.18	1.23	0.91
Net income/avg. risk assets (%)	0.80	0.75	0.83	0.93	0.63
Revenues/avg. risk assets (%)	1.58	1.63	1.75	1.90	1.59
Net operating income before loss provisions/avg. risk assets (%)	1.08	1.00	1.15	1.27	0.88
Net operating income after loss provisions/avg. risk assets (%)	1.08	0.99	1.18	1.28	0.91
Net income before minority interest/avg. adjusted assets	0.35	0.30	0.32	0.38	0.28
Net income/avg. assets + securitized assets	0.35	0.30	0.32	0.38	0.28
Net income/employee (currency unit)	2,157,625	1,887,352	1,992,989	1,948,433	1,077,142
Personnel expense/employee (currency unit)	N.A.	579,051	601,903	629,929	465,689
Cash earnings/avg. tang. common equity (ROE) (%)	7.67	7.31	8.28	9.62	7.37
Core earnings/avg. tang. common equity (ROE) (%)	7.67	7.30	8.21	9.94	6.73
*Data as of March 31, 2004. Ratios annualized where appropriate. Financial statements are audited, consolidated, and prepared according to local GAAP. N.A.--Not available. N.M.--Not meaningful.					

Table 3 Ratio Analysis -cont...

	--Year ended Dec. 31--				
	2004*	2003	2002	2001	2000
FUNDING AND LIQUIDITY (%)					
Customer deposits/funding base	0.00	0.00	0.00	0.00	0.00
Total loans/customer deposits	N.M.	N.M.	N.M.	N.M.	2922306.31
Total loans/customer deposits + long-term funds	1812.18	1830.22	1861.30	1931.14	1595.46
Customer loans (net)/assets (adj.)	89.65	76.96	73.05	74.93	76.46
	2004*	2003	2002	2001	2000
CAPITALIZATION (%)					
Adjusted common equity/adjusted assets	4.95	4.21	3.93	3.88	4.08
Adjusted common equity/adjusted assets + securitization	4.95	4.21	3.93	3.88	4.08
Adjusted common equity/risk assets	10.51	10.34	10.35	9.99	9.48
Adjusted common equity/customer loans (net)	5.52	5.47	5.38	5.18	5.33
Internal capital generation/prior year's equity	7.74	7.59	8.56	11.13	7.02
Tier 1 capital ratio	10.20	10.28	10.27	9.91	9.40
Regulatory total capital ratio	10.30	10.36	10.38	10.06	11.30
Adjusted total equity/adjusted assets	4.95	4.21	3.93	3.88	4.08
Adjusted total equity/adjusted assets + securitizations	4.95	4.21	3.93	3.88	4.08
Adjusted total equity/risk assets	10.51	10.34	10.35	9.99	9.48
Adjusted total equity plus LLR (specific)/customer loans (gross)	5.52	5.56	5.48	5.29	5.49
	2004*	2003	2002	2001	2000
ASSET QUALITY (%)					
New loan loss provisions/avg. customer loans (net)	0.00	0.01	(0.02)	(0.01)	(0.02)
Net charge-offs/avg. customer loans (net)	N.A.	0.02	(0.02)	0.00	0.02
Loan loss reserves/customer loans (gross)	N.A.	0.09	0.11	0.12	0.17
Credit-loss reserves/risk assets	N.A.	0.17	0.22	0.22	0.30
Nonperforming assets (NPA)/customer loans + ORE	N.A.	0.06	0.05	0.06	0.13
NPA (excl. delinquencies)/customer loans + ORE	N.A.	0.06	0.05	0.06	0.13
Net NPA/customer loans (net) + ORE	N.A.	(0.03)	(0.06)	(0.05)	(0.04)
NPA (net specifics)/customer loans (net specifics)	N.A.	(0.03)	(0.06)	(0.05)	(0.04)
Loan loss reserves/NPA (gross)	N.M.	149.35	208.73	179.66	132.22
*Data as of March 31, 2004. Ratios annualized where appropriate. Financial statements are audited, consolidated, and prepared according to local GAAP. N.A.--Not available. N.M.--Not meaningful.					

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