STANDARD & POOR'S

BANK CREDIT REPORT

Erste Bank der oesterreichischen Sparkassen AG

Primary Credit Analysts:
Bernd Ackermann
Frankfurt
(49) 69-33-999-153
bernd_ackermann@
standardandpoors.com

Secondary Credit Analystss:
Volker von Kruechten
Frankfurt
(49) 69-33-999-164
volker_vonkruechten@
standardandpoors.com

Stefan Best
Frankfurt
(49) 69-33-999-154
stefan_best@
standardandpoors.com

Additional Contact:
Financial Institutions Ratings
Europe
FIG_Europe@
standardandpoors.com

RatingsDirect
Publication Date
Oct. 31, 2005

CREDIT RATING

Foreign currency	—/—/A-2

Outstanding Rating(s)

Counterparty Credit ***Foreign currency***	A-2
Certificate of deposit ***Foreign currency***	A-2
Commercial paper ***Local currency***	A-2

Credit Rating History

Aug. 20, 1998	A-2

Sovereign Rating

Austria (Republic of)	AAA/Stable/A-1+

Related Entities

Ceska Sporitelna a.s.

Counterparty Credit ***Local currency***	A-/Positive/A-2
Counterparty Credit ***Foreign currency***	A-/Stable/A-2
Certificate of deposit	A-/A-2

Slovenska Sporitelna a.s.

Counterparty Credit ***Local currency***	BBBpi

Major Rating Factors

Strengths:

- Solid franchise in Austria and neighboring Central and Eastern European countries;
- Strengthened cohesiveness of the Austrian savings banks; and
- Steadily improving profitability levels.

Weaknesses:

- Modest level of capitalization;
- Ambitious growth strategy; and
- Moderate earnings in highly competitive Austrian home market.

Rationale

The rating on Erste Bank der oesterreichischen Sparkassen AG (Erste Bank) reflects Standard & Poor's view of Erste Bank and the Austrian savings banks as a single economic group; the group's prominent market position as one of the leading retail banks in Austria and selected countries in Central and Eastern Europe (CEE); and the group's steady progress in improving profitability levels, which allows sound internal capital generation. The rating is constrained by Erste Bank's continued modest level of pure capital as a result of its ambitious growth strategy and its still moderate earnings levels in the competitive Austrian market despite improvements. In addition, its exposure to still higher-than-average albeit improving economic and industry risk in CEE is growing. This is mitigated, however, by sound earnings levels in these markets.

Erste Bank is the central institution of the Austrian savings banks sector, but also has its own retail and commercial banking operations. The group forms the third-largest banking sector in Austria by total assets. Key subsidiaries in CEE are Czech-based Ceska Sporitelna a.s. (CS; foreign currency A-/Stable/A-2, local currency A-/Positive/A-2), and Slovak-based Slovenska Sporitelna a.s. (SLSP; BBBpi/—/—), both among the market leaders in their countries. (For information on CS and SLSP, see individual full analyses on RatingsDirect.)

The savings banks' level of cooperation with Erste Bank and cohesiveness within the sector has improved significantly since the introduction of a new mutual protection scheme that has been in place since Jan. 1, 2002. This underlines the group's demonstrated commitment to support weaker members, and serves to strengthen the combined market position of the group, which mitigates the limited nature of the protection scheme.

The Erste Bank group continues to make steady progress in improving its profitability from previously modest levels, and Standard & Poor's expects net income before minority interest to rise to about EUR1 billion in 2006, up 27% on its 2004 level. CEE remains the key growth driver, but Erste Bank's domestic operations also demonstrate continued progress albeit from low levels. Its domestic retail operations are expected to improve further, which should lead to a further balanced earnings mix for Erste Bank in Austria, where treasury and wholesale banking profits still dominate.

The group's capitalization is modest and remains a primary negative rating factor, particularly in view of the growing reliance on potentially more volatile earnings in CEE and the ambitious external growth strategy of the bank in these markets. While most of the potential acquisition targets would likely be moderate in size compared with its own profitability and capacity to integrate, Erste Bank was named as one of the two remaining bidders for the privatization of Banca Comerciala Romana (BCR; BB-/Watch Pos/—), the largest bank in Romania. This potential transaction would be material in size. While it would have to be gauged in light of the final conditions and financing, Erste Bank's interest in the deal demonstrates that the risk of a major acquisition still remains a factor in the ratings on Erste Bank.

Erste Bank's modest capitalization is to some degree mitigated by its improved ability to retain earnings and by the protection scheme, which enhances its ability to absorb unexpected losses or to accomplish further midsize acquisitions. Adjusted common equity (ACE)-to-risk assets, including market risk, of 5.4% at mid-year 2005 have improved gradually from earlier levels, but Erste Bank benefits considerably from the consolidation of the savings banks. Erste Bank's own capitalization excluding the savings banks would be markedly weaker.

Profile

Erste Bank

Erste Bank is the lead bank of the Austrian savings banks sector, acting as a savings bank and universal commercial bank in its own right. As one of the leading institutions in Central Europe, it caters to more than 12 million customers in the region (thereof about 2.4 million in Austria), and acts as the central bank of the savings banks group. Erste Bank is also the majority owner of three savings banks. With an approximate 17% market share of total banking sector assets, the savings bank group ranks just behind the Raiffeisen sector and Bank Austria Creditanstalt AG (BA).

Competition within the savings banks sector has been reduced and cooperation has been strengthened in recent years under the lead of Erste Bank. The consolidation of certain activities and the reduction of overlapping markets have promoted regional strength, increased cohesiveness, and allowed the group to reduce domestic branches and staff. In this respect, Erste Bank transferred regional branch offices and staff to the savings banks and in return Erste Bank increased its interest in these banks in most cases.

Erste Bank is also among the leading players in its selected core markets in CEE ("Extended Home Market"). All of the operations have a strong foothold in the local retail business with nationwide coverage. As a result, Erste Bank is well positioned to reap the growth opportunities in the region.

Austrian savings banks' protection scheme

On Sept. 26, 2001, the Austrian savings banks and Erste Bank signed an agreement aimed at strengthening the cooperation within and the mutual support among members of the savings banks group and the security of customer deposits. The new protection scheme became effective on Jan. 1, 2002, and comprises the overwhelming majority of savings banks, which account for about 95% of customer deposits.

The protection scheme is operated by a special-purpose company (Haftungsgesellschaft; HG), which is 55.6%-owned by Erste Bank. Member banks are obliged to furnish HG with financial information on a regular and timely basis to detect potential problems at an early stage. HG will also decide about the necessity, form, and implementation of support for troubled member banks, ranging from advice to capital contributions. According to the agreement, financial support will be funded by the member banks, which is capped at an overall limit of 1.5% of risk assets and 75% of expected pretax profit of each institution, however. For the participating savings banks, including Erste Bank, this limit amounts to about EUR900 million, with Erste Bank and its subsidiaries accounting for more than 50% of committed funds.

Although the protection scheme falls short of a cross-guarantee system because of certain limitations, it demonstrates the overall strengthened cooperation and stronger cohesiveness within the group and Erste Bank's commitment to fulfill its function as the central institution. The savings banks are, on average, better capitalized than Erste Bank, yet the positive rating implications for

Erste Bank—beside the limitations of the scheme—are limited, as the savings banks, which Erste Bank does not own, are much smaller than Erste Bank. Nevertheless, Standard & Poor's considers the scheme a positive rating factor, as it strengthens Erste Bank's ability to absorb losses and its role within the group, as the banks have also agreed on uniform business strategies, IT and controlling systems, production, processing, and marketing. The savings banks have also committed themselves to continue to deposit up to 14% of their deposits with Erste Bank, which they are currently obliged to do, irrespective of potential legislative changes.

Ownership And Legal Status

Erste Bank AG is a joint-stock company and is listed on the stock exchanges in Vienna and Prague. Some 32.2% of its shares are held by a private foundation (DIE ERSTE österreichische Spar-Casse Privatstiftung; DIE ERSTE), and another 7% by the Austrian savings banks. DIE ERSTE is a special savings bank holding company, created following the 1986 amendment to the Austrian Banking Act (Bankwesengesetz, BWG), which permitted savings banks to reorganize themselves as joint-stock companies to raise capital.

Strategy

Erste Bank has been following a consistent, focused, and well-managed strategy in recent years to become one of the leading suprA-regional retail banks in Central Europe by diversifying out of its over-banked home market, while relatively smoothly forming an integrated group with the Austrian savings banks. Major acquisitions in neighboring CEE countries have been rapidly integrated at acceptable costs, and have strengthened the retail banking profile and profitability of the enlarged group significantly. At the same time, however, they have increased the group's exposure to industry and economic risks in these emerging markets. While various group projects indicate that management's focus is shifting toward securing the achieved position by enhancing cross-country integration, Erste Bank is still targeting additional countries for acquisitions. The pursuit of its dynamic external growth strategy is challenged, however, by growing competition for the limited number of remaining suitable targets, and its own modest capitalization. Erste Bank also remains challenged to further enhance the earnings of its domestic retail division.

Erste Bank initiated various projects in 2004 to encourage integration within the enlarged group, thereby reducing overlapping activities, and to lift sales practices and performance measurement. Erste Bank's expectation is to realize over EUR200 million in earnings enhancements by 2008 from these projects. Revenue-driven projects include the creation of a centralized relationship management function for large corporates to enhance capital allocation within the group; a benchmarking process across the group to enhance retail sales management; and improvements in cross-border data quality. Cost-driven projects include centralized group procurement and IT development, decentralized computing, and further efficiency gains from cross-border productivity benchmark analyses.

In its new CEE core markets, Erste Bank generally aims to achieve market shares with retail and SME clients of at least 20%. This has been accomplished through acquisitions in the Czech and Slovak Republics. Achieving this target in Hungary through organic growth is unlikely, but the integration of Postabank has narrowed the gap substantially. Further growth opportunities might be pursued in Romania or the Ukraine, but prices for attractive targets have soared to extremely high levels.

Accounting

Erste Bank has reported consolidated figures according to IAS/IFRS since 1999. Since Jan. 1, 2002, Erste Bank has fully consolidated the HG member savings banks, when the protection scheme became effective, and no longer reports its own consolidated accounts.

Asset Quality

The asset quality of both Erste Bank and the savings banks is satisfactory, underpinned by a fairly high proportion of lower risk asset classes, moderate concentration risks, and adequate reserve levels. The group's provisioning needs have remained stable since 2002 in absolute terms despite loan growth, leading to a gradual decline of loan-loss provisions (LLPs) to 62 basis points (bps) on average risk assets by mid-year 2005, or 63 bps on customer loans (excluding public sector). Yet, these levels are still relatively high, driven mainly by the domestic exposures of Erste Bank and the savings banks, and reflect the still high insolvency rates in Austria. Gross nonperforming loans and substandard loans of the group have declined since 2002, however, and now stand at 5.1% and 4.1%, respectively, of total customer loans. Austria accounts for 80% of these exposures. Overall, Erste Bank's risk provisions should increase only gradually in line with the growth of risk assets.

The composition of the loan book is gradually shifting, with CEE the biggest growth driver based on both booming consumer finance and retail-type corporate loans. Managing the rapid market growth in these largely untested markets remains a major challenge, but Standard & Poor's expects Erste Bank to grow its activities prudently in line with its capability to control these risks. Erste Bank is gaining experience with scoring systems, collection processes, collateral values, and recoveries as markets develop. It benefits from the high number of existing account relationships, which allows Erste Bank to assess and continuously monitor the creditworthiness of its borrowers based on behavioral account analysis. Risk provisions in CEE have so far remained low (42 bps on average risk assets by mid-year 2005), partly due to the comprehensive asset protection received for CS and SLSP in their privatization process. Standard & Poor's expects structurally somewhat higher LLP levels in the medium term, however, because asset protection from the relevant governments no longer exists.

Erste Bank's loan-loss reserves should well cover potential losses on nonperforming loans (NPLs), which are defined in accordance with Basel II guidelines. Its 64% NPL coverage in Austria is adequate, given that the remaining portions are generally covered by collateral. The 119% NPL coverage in CEE exceeds actual exposures, which reflects differing regional regulatory requirements, uncertainties concerning the realizable nature of collateral positions, or the higher risk potential in these markets.

Profitability

Erste Bank's profitability is adequate for its business and risk profile, and is set to demonstrate further gradual improvements. The growing share of retail business revenues is a positive factor, as it reduced the earnings volatility of the group. In addition, returns for Erste Bank in CEE markets are significantly higher than in the Austrian market, which mitigates the still higher-than-average economic and industry risk concerning these operations. Operating conditions in these markets have improved over an extended period, and currently only 4% of group pretax profit depends on CEE operations outside EU member states (this is based on segment reporting June 30, 2005, excluding corporate center). Nevertheless, the still modest earnings levels in its over-banked domestic market remain a negative factor, despite recent improvements. This is because it results in a growing reliance of Erste Bank's earnings on its CEE operations, which at mid-year 2005 generated 49% of group pretax profit (excluding the corporate center segment).

In the future, retail operations in CEE should remain the key growth driver for earnings on the back of strong loan demand and higher sales of investment products. On balance, however, the domestic operations also have potential for further gradual improvements from modest levels. In addition, various groupwide initiatives are expected to enhance sales productivity and limit cost growth.

After the first six months of 2005, the group is well on track to achieve a net profit after minorities of at least EUR660 million, up from EUR521 million (restated) in 2004. Erste Bank's goal of achieving EUR750 million in 2006—equaling about EUR1 billion before minorities—is also realistic assuming that loan demand in CEE should translate into risk-asset growth of about 7% per year, and that consolidated returns on average risk assets should at least remain stable in light of the continued shift in the regional mix of earnings.

Contribution by segment:

Erste Bank excluding CEE and the savings banks (43% of group average risk assets and 34% of pretax profit before goodwill at June 30, 2005)

Erste Bank has made steady progress in improving its profitability. While the recovery in past years was to a significant degree driven by higher treasury results and lower provisioning needs on its international loan book, the continued strong improvement of its retail division in 2004 has resulted in a much more balanced and a more sustainable earnings mix. Yet, improvements started from a modest level, and with a cost-to-income ratio of about 71% at June 30, 2005, and a return (pretax profit after risk) on average risk assets of 1.3%, the division's profitability is still only moderate. Higher demand for retail mortgage loans, continued efforts to optimize its branch network, as well as cost benefits from its group procurement and new group architecture projects, should support further improvements in bottom-line earnings.

Table 1

Erste Bank Excl. Segments CEE, Savings banks, And Corporate Center					
(Mil. EUR)	June 2005	2004	June 2004	2003	2002
Profit after risk	249.9	419.0	213.1	364.9	202.9
Avg. risk assets	28,523.5	29,759.7	29,384.2	28,978.8	28,639.4
Cost-to-income ratio (%)	55.2	58.8	58.0	60.5	67.1
NLLPs/revenues (%)	12.0	12.0	12.8	14.1	17.4
Revenues/avg. risk assets (%)	5.34	4.83	4.98	4.96	4.57
NLLPs/avg. risk assets (%)	0.64	0.58	0.64	0.70	0.80
Profit after risk/revenues (%)	32.8	29.2	29.1	25.4	15.5
Profit after risk/avg. risk assets (%)	1.75	1.41	1.45	1.26	0.71

Table 2

Erste Bank Excl. CEE, Savings Banks/Segment Breakdown					
(Mil. EUR)	*June 2005*	*2004*	*June 2004*	*2003*	*2002*
Erste Bank Pretax profit before goodwill amortization (millions)					
Retail	77.9	74.2	32.5	53.2	10.0
Large corporates	38.5	83.7	47.0	86.1	70.2
Trading/Investment Banking	68.3	140.8	79.0	131.5	59.5
International Business	65.2	120.4	54.6	94.1	63.2
Erste Bank excl. CEE/savings banks/corporate center	249.9	419.1	213.1	364.9	202.9
Corporate Center	(50.7)	59.7	(31.6)	(46.2)	(28.8)
Erste Bank excl. CEE and savings banks	199.2	478.8	181.5	318.7	174.1

CEE (22% of group average risk assets and 53% of pretax profit before goodwill at June 30, 2005)

Erste Bank's CEE operations benefit from high revenue margins, very low provisioning needs as a result of the cleanup of CS' and SLSP's loan portfolio ahead of their privatization, as well as robust GDP growth and loan demand, and continued enhancements of its operating cost base. This results in strong nominal earnings growth at a favorable pretax margin of 38% at June 30, 2005. Margin pressure emanates from the persistently low interest rate environment, stronger competition, and increased scrutiny of banks' pricing policies. This is still offset, however, by the shift in the asset mix to higher-margin lending, driven by strong growth of the retail mortgage and consumer finance business, replacing lower-margin public sector assets. Cost containment should benefit from continued productivity improvements, resulting in further headcount reductions, including benefits from centralization under the new group architecture project.

Table 3

CEE Segment					
(Mil. EUR)	*June 2005*	*2004*	*June 2004*	*2003*	*2002*
Profit after risk	313.4	473.3	217.9	367.0	376.7
Avg. risk assets	15,120.9	13,318.7	12,362.5	10,162.1	9,157.6
Cost-to-income ratio (%)	57.8	63.2	64.9	67.1	65.4
NLLPs/revenues (%)	3.9	3.5	2.4	0.8	-0.4
Revenues/avg. risk assets (%)	10.81	10.66	10.77	11.25	11.77
NLLPs/avg. risk assets (%)	0.42	0.37	0.26	0.10	-0.04
Profit after risk/revenues (%)	38.3	33.3	32.7	32.1	34.9
Profit after risk/Avg. risk assets (%)	4.15	3.55	3.53	3.61	4.11

Savings banks (35% of group average risk assets and 14% of pretax profit before goodwill at June 30, 2005)

The savings banks segment includes those banks that are members of the protection scheme, in which Erste Bank does not have a majority stake. Profitability is stagnating at modest levels due to the competitive environment, a relatively high cost base, and high albeit declining risk provisions. Their return (pretax profit after risk) on average risk assets of 0.7% at June 30, 2005, is only about one-half of the return achieved by Erste Bank in its retail segment, mainly due to lower commission revenues and higher LLPs. Therefore, potential for improvement exists if the savings banks were able to bring their revenue mix more in line with Erste Bank. Initiatives to enhance cross selling are underway but still need to deliver tangible results.

Table 4

Savings Banks Segment

(Mil. EUR)	*June 2005*	*2004*	*June 2004*	*2003*	*2002*
Profit after risk	80.7	189.2	101.6	157.1	172.1
Avg. risk assets (mil.)	23,453.7	22,986.2	22,797.5	22,179.7	22,164.3
Cost-to-income ratio (%)	71.1	68.2	68.5	69.8	68.9
NLLPs/revenues (%)	15.0	15.7	14.5	16.8	16.2
Revenues/avg. risk assets (%)	4.95	5.11	5.25	5.30	5.20
NLLPs/avg. risk assets (%)	0.74	0.80	0.76	0.89	0.84
Profit after risk/revenues (%)	13.9	16.1	17.0	13.4	14.9
Profit after risk/avg. risk assets (%)	0.69	0.82	0.89	0.71	0.78

Asset-Liability Management

The group's funding sources are stable and diverse as it continues to enjoy a high, stable level of deposits from customers. Erste Bank itself also acts as a wholesale bank and benefits from its role as the central clearer for the Austrian savings banks. CS' and SLSP's liquidity is strong because customer deposits by far exceed customer loans. Their lending to retail customers and SMEs is expected to grow, however. Erste Bank's opportunities to make use of the excess liquidity of its subsidiaries are constrained by the large loan limits that subsidiaries have to comply with when lending to Erste Bank and the limited depths of cross-currency swap markets.

Erste Bank uses value-at-risk (VaR) methodology based on historical simulation to calculate the market risk in its trading and banking book positions. Austrian banking authorities have approved its model for the purpose of calculating capital adequacy, applying the lowest possible multiplier**.** The confidence level is 99%, and it uses one-day and 10-day holding periods. Furthermore, Erste Bank also conducts regular stress- and back-testing. CEE subsidiaries are fully integrated into Erste Bank's market-risk management. Market-risk limits are set at moderate levels. Erste Bank also provides asset-liability management services to member savings banks, accounting for more than about 95% of total assets, which enables it to monitor their market risk positions.

Capital

Standard & Poor's believes that Erste Bank's modest capitalization remains a primary negative rating factor even taking into account the benefits from the protection scheme with the Austrian savings banks. ACE for the enlarged group accounted for 5.4% of regulatory risk assets, which is only modest in view of the growing leverage to CEE markets, and would be even lower excluding the benefits from the savings banks. A positive factor is the group's sound internal capital generation capacity after dividends, which allows Erste Bank to finance organic growth plus limited additional acquisitions out of recurring earnings. Nevertheless, uncertainty remains regarding the potential negative implications on capitalization should another major acquisition materialize. The target of the enlarged group is a regulatory Tier 1 ratio based on Austrian standards of 6.5%, which the bank met at June 30, 2005.

Since the introduction of the protection scheme, Austrian regulators have allowed Erste Bank to include the member savings banks in its consolidated regulatory capital ratios. Although the savings banks improve the regulatory Tier 1 ratio by only about 50 bps, the level and quality of Erste Bank’s capitalization excluding the savings banks is weaker because all of the enlarged group’s hybrid Tier 1 instruments were issued by Erste Bank, and because the majority of goodwill within the group relates to Erste Bank’s acquisitions in CEE. Erste Bank also consolidates an insurance company, but its net asset value accounts for only 5% of ACE. (For further information see the article entitled “Capital Adequacy at European Bancassurers: The Need to Look Beyond Regulatory Ratios”, published on July 23, 2004, on RatingsDirect.)

Standard & Poor’s expects that—apart from its bid for BCR—further acquisitions by Erste Bank would be limited in size compared with its improved profitability levels and its proven ability to successfully integrate acquisitions. Nevertheless, the multiples on book value of equity paid by Erste Bank and competitors in recent transactions have been extremely high.

Table 5

Balance Sheet Statistics

	—Year ended Dec. 31—						Breakdown as a % of assets (adj.)					
(Mil. EUR)	*2005**	*2004*	*2003*	*2002*	*2001*	*2000 -*	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*
Assets												
Cash and money market instruments	2,463	2,723	2,549	3,181	4,876	2,544	1.71	2.06	2.09	2.76	5.73	3.60
Securities	38,131	34,957	32,567	27,161	19,111	15,238	26.46	26.51	26.76	23.55	22.46	21.59
Trading securities (marked to market)	4,202	3,414	4,220	2,606	2,792	2,889	2.92	2.59	3.47	2.26	3.28	4.09
Nontrading securities	33,929	31,543	28,347	24,555	16,319	12,349	23.54	23.92	23.29	21.29	19.18	17.49
Loans to banks (net)	19,840	15,513	13,140	15,492	16,610	18,074	13.77	11.76	10.80	13.43	19.52	25.60
Customer loans (gross)	77,227	72,722	67,766	64,435	39,210	31,238	53.59	55.14	55.67	55.87	46.07	44.25
Public sector/government	4,542	5,594	6,000	6,206	5,086	2,669	3.15	4.24	4.93	5.38	5.98	3.78
Other consumer loans	26,602	24,829	21,599	19,471	10,453	8,769	18.46	18.83	17.75	16.88	12.28	12.42
Commercial/corporate loans	44,325	41,998	39,838	38,392	23,263	19,332	30.76	31.85	32.73	33.29	27.34	27.39
All other loans	1,758	301	329	366	408	468	1.22	0.23	0.27	0.32	0.48	0.66
Loan-loss reserves	2,859	2,749	2,772	2,983	1,875	1,544	1.98	2.08	2.28	2.59	2.20	2.19
Customer loans (net)	74,368	69,973	64,994	61,452	37,335	29,694	51.60	53.06	53.40	53.28	43.87	42.07
Earning assets	135,198	123,192	113,473	107,088	77,234	65,948	93.81	93.41	93.23	92.85	90.76	93.42
Equity interests/participations (nonfinancial)	375	401	434	383	1,153	969	0.26	0.30	0.36	0.33	1.35	1.37
Inv. in unconsolidated subsidiaries (financial co.)	85	85	63	80	170	156	0.06	0.06	0.05	0.07	0.20	0.22
Intangibles (nonservicing)	1,851	1,823	1,868	1,595	932	605	1.28	1.38	1.53	1.38	1.10	0.86
Fixed assets	1,688	1,723	1,814	1,866	1,318	1,032	1.17	1.31	1.49	1.62	1.55	1.46
Derivatives credit amount	1,637	1,214	1,587	881	659	321	1.14	0.92	1.30	0.76	0.77	0.45
Accrued receivables	N.A.	1,575	1,442	1,186	1,191	1,378	N.A.	1.19	1.18	1.03	1.40	1.95
All other assets	12,222	9,695	8,117	7,944	2,679	1,185	8.48	7.35	6.67	6.89	3.15	1.68
Total reported assets	152,660	139,682	128,575	121,222	86,033	71,196	105.93	105.92	105.63	105.10	101.10	100.86

Table 5

Balance Sheet Statistics

	—Year ended Dec. 31—						Breakdown as a % of assets (adj.)					
(Mil. EUR)	*2005**	*2004*	*2003*	*2002*	*2001*	*2000* -	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*
Less insurance statutory funds	(6,689)	(5,979)	(4,989)	(4,290)	0	0						
Less nonservicing intangibles	(1,851)	(1,823)	(1,868)	(1,595)	(932)	(605)						
Adjusted assets	144,120	131,879	121,718	115,337	85,101	70,591	100.00	100.00	100.00	100.00	100.00	100.00
							Breakdown as a % of liabilities + equity					
	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*
Liabilities												
Total deposits	106,707	96,764	90,543	87,733	65,817	54,480	69.90	69.27	70.42	72.37	76.50	76.52
Noncore deposits	35,582	28,551	25,704	26,425	28,642	25,639	23.31	20.44	19.99	21.80	33.29	36.01
Core/customer deposits	71,125	68,213	64,839	61,308	37,175	28,841	46.59	48.83	50.43	50.57	43.21	40.51
Public sector or total pfandbriefe	N.A.	1,278	1,222	1,067	926	1,052	N.A.	0.91	0.95	0.88	1.08	1.48
Other borrowings	23,102	21,657	19,260	16,511	11,781	9,684	15.13	15.50	14.98	13.62	13.69	13.60
Other liabilities	15,881	13,628	11,971	10,782	4,408	3,355	10.40	9.76	9.31	8.89	5.12	4.71
Total liabilities	145,690	133,327	122,996	116,093	82,932	68,571	95.43	95.45	95.66	95.77	96.40	96.31
Total shareholders' equity	6,970	6,355	5,579	5,130	3,100	2,625	4.57	4.55	4.34	4.23	3.60	3.69
Preferred stock and other capital	910	717	495	455	455	225	0.60	0.51	0.38	0.38	0.53	0.32
Minority interest-equity	2,464	2,412	2,383	2,268	804	608	1.61	1.73	1.85	1.87	0.93	0.85
Common shareholders' equity (reported)	3,596	3,226	2,701	2,407	1,841	1,792	2.36	2.31	2.10	1.99	2.14	2.52
Share capital and surplus	1,947	1,912	1,881	1,875	1,234	1,234	1.28	1.37	1.46	1.55	1.43	1.73
Revaluation reserve	172	N.A.	N.A.	N.A.	N.A.	N.A.	0.11	N.A.	N.A.	N.A.	N.A.	N.A.
Reserves (incl. inflation revaluations)¶	1,477	1,314	820	532	607	558	0.97	0.94	0.64	0.44	0.71	0.78
Total liabilities and equity	152,660	139,682	128,575	121,223	86,032	71,196	100.00	100.00	100.00	100.00	100.00	100.00
Less revaluation reserve, intangibles	(2,023)	(1,823)	(1,868)	(1,595)	(932)	(605)						
Tangible total equity	4,947	4,531	3,711	3,535	2,168	2,021						
Tangible common equity	4,037	3,815	3,216	3,080	1,713	1,796						
Less equity in unconsolidated subsidiaries	(85)	(85)	(63)	(80)	(170)	(156)						
Adjusted common equity	3,952	3,730	3,153	3,000	1,543	1,640						
Plus preferred stock and other capital	910	717	495	455	455	225						
Adjusted total equity	4,862	4,446	3,648	3,455	1,998	1,865						

*Data as of June 30, 2005. Ratios annualized where appropriate. ¶Half-year 2005 adjusted for accrued dividend (one-half of 2004 payout) N.A.—Not available.

Table 6

Profit and Loss Statement Statistics

	—Year ended Dec. 31—						Adj. avg. assets (%)					
(Mil. EUR)	2005*	2004	2003	2002	2001	2000	- 2005*	2004	2003	2002	2001	2000
Profitability												
Interest income	2,784	5,192	5,128	5,653	4,237	3,361	4.03	4.09	4.33	5.64	5.44	5.48
Interest expense	1,409	2,533	2,623	3,265	2,862	2,497	2.04	2.00	2.21	3.26	3.68	4.07
Net interest income	1,375	2,659	2,505	2,388	1,375	864	1.99	2.10	2.11	2.38	1.77	1.41
Operating noninterest income	853	1,638	1,436	1,287	827	690	1.24	1.29	1.21	1.28	1.06	1.12
Fees and commissions	617	1,141	997	945	575	423	0.89	0.90	0.84	0.94	0.74	0.69
Equity in earnings of unconsolidated subsidiaries	11	36	46	46	47	60	0.02	0.03	0.04	0.05	0.06	0.10
Trading gains	105	217	215	167	153	127	0.15	0.17	0.18	0.17	0.20	0.21
Other market-sensitive income	49	93	(1)	0	(26)	(7)	0.07	0.07	0.00	0.00	(0.03)	(0.01)
Net insurance income	27	35	33	8	19	(1)	0.04	0.03	0.03	0.01	0.02	0.00
Other noninterest income	44	116	147	121	60	88	0.06	0.09	0.12	0.12	0.08	0.14
Operating revenues	2,228	4,297	3,941	3,675	2,201	1,554	3.23	3.39	3.33	3.67	2.83	2.53
Noninterest expenses	1,425	2,887	2,767	2,664	1,609	1,171	2.07	2.28	2.33	2.66	2.07	1.91
Personnel expenses	761	1,480	1,390	1,373	757	562	1.10	1.17	1.17	1.37	0.97	0.92
Other general and administrative expense	496	1,049	915	936	625	462	0.72	0.83	0.77	0.93	0.80	0.75
Amortization of intangibles	0	154	247	157	98	63	0.00	0.12	0.21	0.16	0.13	0.10
Depreciation and amortization-other	167	203	214	198	128	84	0.24	0.16	0.18	0.20	0.16	0.14
Net operating income before loss provisions	803	1,410	1,175	1,011	592	383	1.16	1.11	0.99	1.01	0.76	0.62
Credit loss provisions (net new)	210	406	406	406	204	162	0.30	0.32	0.34	0.41	0.26	0.26
Net operating income after loss provisions	593	1,004	768	605	389	222	0.86	0.79	0.65	0.60	0.50	0.36
Nonrecurring/special income	0	155	36	65	0	56	0.00	0.12	0.03	0.06	0.00	0.09
Nonrecurring/special expense	0	80	32	21	0	0	0.00	0.06	0.03	0.02	0.00	0.00
Pretax profit	593	1,079	772	649	389	277	0.86	0.85	0.65	0.65	0.50	0.45
Tax expense/credit	140	292	235	164	81	50	0.20	0.23	0.20	0.16	0.10	0.08
Net income before minority interest	454	787	537	485	307	227	0.66	0.62	0.45	0.48	0.39	0.37
Minority interest in consolidated subsidiaries	118	243	184	230	84	35	0.17	0.19	0.16	0.23	0.11	0.06
Net income before extraordinaries	336	545	353	255	223	192	0.49	0.43	0.30	0.25	0.29	0.31
Net income after extraordinaries	336	545	353	255	223	192	0.49	0.43	0.30	0.25	0.29	0.31
Core earnings	336	490	351	222	223	146	0.49	0.39	0.30	0.22	0.29	0.24

	2005*	2004	2003	2002	2001	2000
Asset Quality						
Nonperforming assets	3,937	3,879	4,038	4,120	1,808	1,054
Net charge-offs	156	332	610	504	395	254
Average balance sheet						
Average customer loans	72,171	67,484	63,223	49,394	33,515	27,567
Average earning assets	129,195	118,333	110,281	92,161	71,591	57,367

Table 6

Profit and Loss Statement Statistics

	—Year ended Dec. 31—							Adj. avg. assets (%)					
(Mil. EUR)	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*	-	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*
Average assets	146,171	134,129	124,899	103,628	78,614	61,819							
Average total deposits	101,736	93,654	89,138	76,775	60,149	47,292							
Average interest-bearing liabilities	124,754	115,362	108,168	91,918	71,870	56,824							
Average common equity	3,411	2,964	2,554	2,124	1,817	1,586							
Average adjusted assets	138,000	126,799	118,528	100,219	77,846	61,353							
Other data													
Number of employees (end of period, actual)	35,740	35,862	37,650	36,923	28,222	23,810							
Number of branches	N.A.	2,264	2,370	2,285	1,540	1,071							
Total assets under management	N.A.	22	19	16	15	15							
Off-balance-sheet credit equivalents	28,007	27,913	23,214	20,890	22,692	12,451							

*Data as of June 30, 2005. Ratios annualized where appropriate. N.A.—Not available.

Table 7

Ratio Analysis

	—Year ended Dec. 31—					
	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*
ANNUAL GROWTH (%)						
Customer loans (gross)	12.39	7.31	5.17	64.33	25.52	18.30
Loss reserves	8.00	(0.83)	(7.07)	59.09	21.44	60.03
Adjusted assets	18.56	8.35	5.53	35.53	20.56	35.45
Customer deposits	8.54	5.20	5.76	64.92	28.90	47.65
Tangible common equity	11.65	18.62	4.41	79.78	(4.58)	30.14
Total equity	19.36	13.91	8.75	65.46	18.10	45.23
Operating revenues	3.71	9.02	7.25	66.95	41.64	23.49
Noninterest expense	(1.26)	4.33	3.86	65.57	37.44	26.55
Net operating income before provisions	13.90	20.05	16.19	70.69	54.49	15.00
Loan-loss provisions	3.35	(0.05)	0.10	99.41	25.76	22.19
Net operating income after provisions	18.17	30.68	26.99	55.65	75.49	10.25
Pretax profit	9.93	39.74	19.00	66.97	40.27	13.15
Net income	15.25	46.50	10.80	57.77	35.36	18.04
	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*
PROFITABILITY (%)						
Interest Margin Analysis						
Net interest income (taxable equiv.)/avg. earning assets	2.13	2.25	2.27	2.59	1.92	1.51
Net interest spread	2.05	2.19	2.23	2.58	1.94	1.46
Interest income (taxable equiv.)/avg. earning assets	4.31	4.39	4.65	6.13	5.92	5.86
Interest income on loans/avg. total loans	4.40	4.40	4.74	6.31	6.31	6.28
Interest expense/avg. interest-bearing liabilities	2.26	2.20	2.42	3.55	3.98	4.39
Revenue Analysis						
Net interest income/revenues	61.72	61.89	63.56	64.98	62.45	55.61

Table 7

Ratio Analysis

	—Year ended Dec. 31—					
	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*
Fee income/revenues	27.69	26.56	25.29	25.71	26.10	27.24
Market-sensitive income/revenues	6.91	7.21	5.42	4.54	5.74	7.76
Noninterest income/revenues	38.28	38.11	36.44	35.02	37.55	44.39
Personnel expense/revenues	34.17	34.45	35.27	37.36	34.39	36.15
Noninterest expense/revenues	63.96	67.18	70.20	72.49	73.09	75.33
Noninterest expense/revenues less investment gains	65.39	68.67	70.18	72.49	72.23	75.00
Expense less amortization of intangibles/revenues	63.96	63.59	63.93	68.22	68.63	71.29
Expense less all amortizations/revenues	56.45	58.86	58.49	62.83	62.79	65.87
Net operating income before provision/revenues	36.04	32.82	29.80	27.51	26.91	24.67
Net operating income after provisions/revenues	26.62	23.37	19.49	16.46	17.66	14.25
New loan-loss provisions/revenues	9.42	9.45	10.31	11.05	9.25	10.42
Net nonrecurring/abnormal income/revenues	0.00	1.75	0.10	1.20	0.00	3.58
Pretax profit/revenues	26.62	25.12	19.59	17.66	17.66	17.83
Net income/revenues	20.36	18.32	13.63	13.20	13.96	14.61
Tax/pretax profit	23.52	27.05	30.42	25.27	20.92	18.04
	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*
Other Returns						
Pretax profit/avg. risk assets (%)	1.66	1.58	1.18	1.23	1.00	0.82
Net income/avg. risk assets (%)	1.27	1.15	0.82	0.92	0.79	0.67
Revenues/avg. risk assets (%)	6.23	6.30	6.03	6.97	5.64	4.61
Net operating income before loss provisions/avg. risk assets (%)	2.24	2.07	1.80	1.92	1.52	1.14
Net operating income after loss provisions/avg. risk assets (%)	1.66	1.47	1.18	1.15	1.00	0.66
Net income before minority interest/avg. adjusted assets	0.66	0.62	0.45	0.48	0.39	0.37
Net income/employee (EUR)	25,346	21,550	14,659	14,890	11,816	14,094
Personnel expense/employee (EUR)	42,535	40,522	37,923	42,152	29,097	34,866
Personnel expense/branch (mil. EUR)	N.A.	0.64	0.60	0.72	0.58	0.77
Noninterest expense/branch (mil. EUR)	N.A.	1.25	1.19	1.39	1.23	1.60
Cash earnings/avg. tang. common equity (ROE) (%)	31.64	32.57	31.72	35.05	30.44	23.56
Core earnings/avg. tang. common equity (ROE) (%)	17.10	13.93	11.13	9.27	12.73	9.21
	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*
FUNDING AND LIQUIDITY (%)						
Customer deposits/funding base	54.79	56.99	58.40	58.22	47.34	44.22
Total loans/customer deposits	136.47	129.35	124.78	130.37	150.15	170.98
Total loans/customer deposits + long-term funds	119.36	95.20	93.21	99.36	108.52	121.73
Customer loans (net)/assets (adj.)	51.60	53.06	53.40	53.28	43.87	42.07
	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*
CAPITALIZATION (%)						
Adjusted common equity/adjusted assets	2.74	2.83	2.59	2.60	1.81	2.32
Adjusted common equity/risk assets	5.40	5.33	4.75	4.66	3.75	4.44
Adjusted common equity/customer loans (net)	5.31	5.33	4.85	4.88	4.13	5.52
Internal capital generation/prior year's equity	20.81	15.69	10.94	9.83	8.95	9.33

Table 7

Ratio Analysis

	—Year ended Dec. 31—					
	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*
Tier 1 capital ratio	6.09	6.26	5.89	5.91	5.69	5.76
Regulatory total capital ratio	10.20	10.70	10.70	11.00	10.48	10.72
Adjusted total equity/adjusted assets	3.37	3.37	3.00	3.00	2.35	2.64
Adjusted total equity/risk assets	6.64	6.36	5.49	5.37	4.86	5.05
Adjusted total equity plus LLR (specific)/customer loans (gross)	10.00	9.89	9.47	9.99	9.88	10.91
Common dividend payout ratio	N.A.	22.17	25.45	29.02	28.21	32.85
	*2005**	*2004*	*2003*	*2002*	*2001*	*2000*
ASSET QUALITY (%)						
New loan-loss provisions/avg. customer loans (net)	0.58	0.60	0.64	0.82	0.61	0.59
Net charge-offs/avg. customer loans (net)	0.43	0.49	0.96	1.02	1.18	0.92
Loan loss reserves/customer loans (gross)	3.70	3.78	4.09	4.63	4.78	4.94
Credit-loss reserves/risk assets	3.91	3.93	4.17	4.64	4.56	4.18
Nonperforming assets (NPA)/customer loans + ORE	5.10	5.33	5.96	6.39	4.61	3.37
Net NPA/customer loans (net) + ORE	1.45	1.61	1.95	1.85	(0.18)	(1.65)
Loan-loss reserves/NPA (gross)	72.62	70.87	68.65	72.40	103.71	146.49

*Data as of June 30, 2005. Ratios annualized where appropriate. N.A.—Not available.