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Landshypotek AB

CREDIT RATING

BBB+/Positive/A-2

Outstanding Rating(s)

Counterparty Credit	BBB+/Positive/A-2
Certificate of deposit	BBB+/A-2
Senior unsecured <i>Foreign currency</i>	BBB+
Junior subordinated <i>Foreign currency</i>	BBB-
Short-Term debt <i>Foreign currency</i>	A-2

Credit Rating History

July 11, 2003 BBB+/A-2

Oct. 24, 1996 A-/A-2

Sovereign Rating

Sweden (Kingdom of) AAA/Stable/A-1+

Related Entities

**General Mortgage Bank of Sweden (Sveriges
Allmanna Hypoteksbank)**

Counterparty Credit	BBB+/Positive
Certificate of deposit	BBB+

Lantbrukskredit AB

Counterparty Credit BBB+/Positive/A-2

Major Rating Factors

Strengths:

- Leading market position in first mortgage lending to the Swedish agriculture and forestry industries;
- Cooperative business model whereby borrowers become members, which supports the business position; and
- Robust capitalization.

Weaknesses:

- The group's monoline business and narrow core client base;
- Increasing competition and margin pressure in the agricultural lending segment; and
- Entirely wholesale-funded.

Rationale

The ratings on Landshypotek AB reflect its leading market position in first-mortgage lending to the Swedish agriculture and forestry industries. They also recognize the strength of the cooperative business model in ensuring a loyal customer base and strong market position. The ratings also take into account the robust capitalization of the company. The ratings are constrained, however, by Landshypotek's monoline business model and narrow core client base. They are also restricted by the increased competition and margin pressure in the agricultural lending segment, and the fact that Landshypotek is entirely wholesale-funded.

Landshypotek has about a 45% market share in first mortgage lending to the Swedish farming community. This position is based on the group's mutual ownership and a bonus rate offered to borrower-members, providing strong incentives for customer loyalty. At March 31, 2005, the Landshypotek group had total assets of Swedish krona (Skr) 41.2 billion (\$5.3 billion at Skr7.78 to \$1). However, the shrinking number of active farmers in Sweden is reflected in a steady decline in the number of members.

Standard & Poor's considers Landshypotek's capitalization as robust, in spite of the recent sizeable loan losses in 2004 and 2005 in the subsidiary Lantbrukskredit AB (BBB+/Positive/A-2). The problem exposures have now been fully provisioned and written off and the foreclosed asset disposed of through a sale to an industrial buyer. Landshypotek remains firmly committed to Lantbrukskredit, but since 2003 and until further notice there is no new lending in the subsidiary. The group reported a regulatory Tier 1 ratio of 8.36% at the end of the first quarter of 2006.

Outlook

The positive outlook reflects the resolution of the uncertainty regarding the financial impact from the problems at Lantbrukskredit. This should enable the company to focus on its core business and therefore lead to better group performance. The positive outlook also reflects Standard & Poor's belief that management is firmly committed to continued improvement of the group's credit control management systems.

A positive rating action could result if the group successfully refocuses on its core business, returns to the level of profitability required to generate the capital needed to support the business as it grows, and makes tangible progress in credit management systems. On the other hand, a weakening of the franchise, combined with a sharp deterioration in asset quality or an inability to achieve satisfactory profitability, would likely result in the outlook reverting to stable, or could even put negative pressure on the ratings.

Profile: Mortgage Lending To Agriculture And Forestry

Landshypotek is a Swedish mortgage bank that specializes in first mortgage lending to the Swedish farming community and the agriculture and forestry industries. Total loans outstanding amounted to Skr38.4billion at March 31 2006. The company's main product is first mortgage loans, secured within a maximum 75% LTV ratio of farms, farmland, or forests.

Over the past decade, Landshypotek has maintained a market share of about 50% for mortgage loans to farmers. The group has been able to keep up with competition from the large Swedish banking groups based on its good knowledge of the farming and forestry industries, and a very specialized package of products targeted at farmers and forest owners. Structural changes in agriculture, in particular the possible reduction of subsidies over time, could threaten the very stable business position of the Landshypotek group.

Landshypotek operates solely in the Swedish market, and sales and other activities rely primarily on the 17 regional offices, although sales are also supported by Internet services. This regional organization provides Landshypotek with proximity to its customers and local knowledge in appraising collateral. Landshypotek, however, suffers from a lack of banking services, which usually entail more frequent client contact. To compensate for this, Landshypotek has cooperated with Sweden's largest mutual insurance group, Länsförsäkringar (Länsförsäkringar Sak Forsakrings AB (publ) A/Stable/—; Länsförsäkringar Bank A-/Positive/A-2) since 1998. Together, they are able to offer a comprehensive package of mortgage loans, retail banking services, and every kind of insurance farmers might need, as well as savings products.

Through its subsidiary, Lantbrukskredit, Landshypotek offered loans to agriculture-related industries such as sawmills, food processing, and energy production. However, the expansion into non-core areas, notably bio-energy project finance, resulted in a marked increase in the level of risk. Since 2003, no new lending has been made by the subsidiary, and it has effectively been put into run-off.

Ownership And Legal Status

Landshypotek is wholly owned by Landshypotek Ekonomisk Förening (LEF), a Swedish mutual association. Customers of Landshypotek become members of LEF, and are required to participate in the capitalization of the group. At year-end 2005, the association had about 62,000 members, 6% less than in 2002 and 22% less than in 1998. This trend is continuing, and reflects the decline in the number of farmers and farms in Sweden.

Landshypotek pays most of its annual profit to its shareholder, LEF. The dividend is used mainly to pay the member-owners, who, in turn, retain part of the refund to subscribe to new equity capital in Landshypotek. This explains why net profits for the company appear unusually low compared with peers.

Landshypotek has three subsidiaries: Lantbrukskredit, Landshypotek Jordbrukskredit AB (LJK; not rated), and Sveriges Allmänna Hypoteksbank (the General Mortgage Bank of Sweden {GMB}; BBB+/Positive/A-2). GMB is being wound down to the last contractual maturity (in 2014, at the latest), after which the company will be liquidated.

Landshypotek is a credit market company licensed and regulated by Finansinspektionen (the Swedish financial supervisory authority), and was founded in 1995 to replace its predecessors, GMB and 10 regional mortgage associations.

Strategy: Price Leadership Based On Special Expertise And Low Required Return

Standard & Poor's concerns about the long-term viability of the narrow focus of Landshypotek's strategy remain. Landshypotek's aim is to be the market leader, and to offer the best product package to Swedish farmers and agricultural land- and forest-owners at the most competitive rates.

The strategy of price leadership can be supported as long as the growth of assets is matched by a similar growth of capital. This has been achieved so far through the company's expertise in agricultural lending, resulting in very low loan losses, and the low return required by the owner association. Failure to grow capital could, however, jeopardize the long-term stability of the company, as, due to its ownership by a mutual association, it has no access to the equity market and cannot easily raise new capital. The now-resolved problems at the subsidiary Lantbrukskredit serve as a reminder of this vulnerability. The losses incurred from that single large exposure have been equivalent to almost twice the earnings before loan losses in 2005. This has significantly limited capital growth through retained earnings in the past two years.

Standard & Poor's therefore continues to believe that ensuring the availability of sufficient capital to preserve the operational flexibility of the group remains key to the rating. An additional risk could be the decline in the number of core clients, which could threaten the revenue generation capacity.

Risk Management: Improved Credit Risk Profile After Painful Experience In Non-Core Lending

Standard & Poor's considers Landshypotek's risk management to be appropriate given its focus on low-risk mortgage lending. Credit control and funding are centralized in Stockholm, while credit approval takes place in the regional offices.

Credit risk

Standard & Poor's believes that the difficult experience with asset quality problems in the subsidiary Lantbrukskredit has raised management's risk awareness significantly. We also believe that recent years' enhancements to systems and operations have improved credit risk management within the group. In January 2006 the asset quality problems related to bio-energy lending in Lantbrukskredit were finally resolved. The credit exposure to the ESS Group was terminated through the sale of the business to E.ON Sverige AB (A/Stable/A-1). Landshypotek had acquired the business as part of the foreclosure procedure in 2004. This resulted in new provisions of Skr190 million in addition to the Skr165 million set aside in the previous two years.

Losses on the core business in Landshypotek remain minimal and have traditionally been very small, even during the Swedish banking crisis of the early 1990s. The economic downturn did not seriously affect the agriculture industry, however, as farming was not in general significantly geared. In the future, the concentration of farming into larger production units will undoubtedly affect the leverage of the industry and make financial risks and analysis more complex.

Although farming may suffer from reduced subsidies, the widespread forest ownership that characterizes Swedish farming mitigates this risk. The forestry sector has never received subsidies, and prices are consequently based solely on market forces.

The average size of farms in Sweden remains small, which, combined with low leverage, has led to generally limited exposures for Landshypotek. The number of farmers is in steady decline, however, owing to retirement and increasing economies of scale. This means that the average exposure is gradually growing. Growth is now stronger in loan exposures exceeding Skr3.5 million than in smaller amounts, reflecting the ongoing restructuring of the industry.

Landshypotek's loan portfolio amounted to Skr35.9 billion at the end of the first quarter of 2006. Landshypotek's loan portfolio is evenly distributed across the country, and loan concentrations reflect the relative importance of agriculture in any particular region. The bank estimates the LTV ratio of the mortgage book to be about 30%.

The Skr205 million of provisions made in 2005 were almost all in connection with the termination of the exposure to ESS Group. After the entire write-off of nonperforming bio-energy loans in 2005, net new provisions to net loans actually turned slightly positive in the first quarter of 2006, compared with 0.58% in 2005. The ratio of nonperforming assets to gross loans showed a similarly strong improvement and fell to 0.83% at the end of the first quarter of 2006 from 3.08% at year-end 2005. Standard & Poor's measure of nonperforming assets includes loans in arrears but accruing, which do not necessarily carry a risk for which the bank may have to take a provision. The coverage ratio has risen in recent years due to the energy lending, but remains low compared with European peers.

Liquidity and market risk

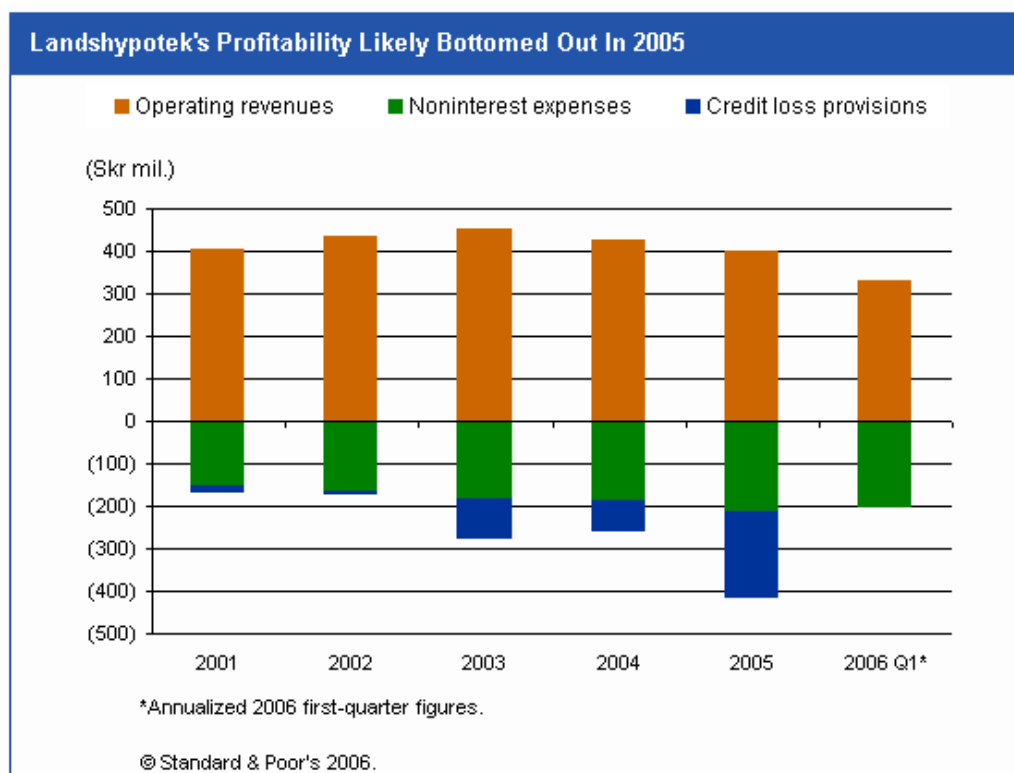
Standard & Poor's considers Landshypotek's prudent funding and liquidity policies and risk management to be appropriate for the type of business the group undertakes. In the current extremely low interest rate environment, Landshypotek benefits from a combination of low nominal rates, declining credit spreads and ample supply of liquidity. Landshypotek plans to issue covered bonds and will apply for the necessary permission from the Swedish FSA during the second quarter of 2006.

Landshypotek relies on several markets for its funding needs. Currency risks are small as lending is carried out primarily in Swedish krona, and foreign funding is always swapped to domestic currency. Interest and currency risks are swapped, and the maximum interest risk is set at 2.5% of the group's equity capital, while the maximum gap in any one period is 50% of capital. At year-end 2005, the company had CP, unlimited bond and MTN programs in the Swedish market as well as a €1 billion EMTN and a Eurobond program.

The subsidiary Lantbrukskredit has a small bond program and a Swedish krona MTN program, but relies mainly on Landshypotek for its funding. LJK is fully funded by equity. The group has agreements on bilateral back-up facilities with major banks in Sweden and abroad.

Profitability: Margin Pressure Will Continue To Weigh On Core Business

Standard & Poor's expects Landshypotek's profitability to remain pressured by low interest rates and increased margin competition. Profitability has been on a steady decline in recent years as income has shrunk while expenses and credit costs have increased (see chart 1). Almost all of the provisions were related to the single large exposure on ESS Group. We expect profitability to improve toward, but not necessarily reach, the levels of 2003 and 2004, when the ratio of pretax profit-to-average risk assets was about 0.45%-0.50%. The improvement will be driven by markedly lower loan loss provisions and a stabilization of noninterest expenses.



Margins have been declining for many years, both as a result of lower interest rates and increased competition. Many commercial and savings banks have increased their activities in the agricultural lending segment in recent years. Landshypotek's ratio of net interest income to average earning assets fell to 0.76% in the first quarter of 2006, from 1.00% in 2005 and 1.08% in 2004. The dramatic fall in the first quarter was, however, partly due to the termination of some higher-yielding loans in the subsidiaries. Landshypotek's ambition to defend its position as price leader in the market for mortgage loans to the farming community makes it vulnerable to continued pressure on margins.

The management of the asset quality problems in Lantbrukskredit, as well as investments related to Basel II, IFRS, and the planned issuing of covered bonds resulted in costs increasing by 16% in 2005. In addition, the company has invested in its branch network, by increasing the number of sales offices to 17 from 11. In combination with negative income growth, this resulted in a significantly weaker cost-to-income ratio of 53.6% in 2005, up from 43.4% only one year before. Although cost inflation slowed down during the first quarter of 2006, with a year-on-year increase of 1.8%, the continued pressure on income pushed the cost-to-income ratio to a record high of 61.4%. In 2006 we expect costs to stabilize or decrease slightly, and in the long run we would expect the cost-to-income ratio to be in the region of 45%-50%.

Capital: Currently Robust, But Limited Ability To Grow Or Access New Capital

Standard & Poor's considers the current capitalization of Landshypotek to be robust and expects the company to remain committed to its targeted level of a regulatory Tier 1 capital ratio of 8%. Landshypotek's capitalization has remained stable during recent years despite the weak profitability. At March 31 2006, Standard & Poor's core capital measure of ACE-to-risk assets ratio was 8.46%. The renewed focus on volume growth in its core lending business may, however, lower capitalization to a level closer to its target.

Capitalization for the mortgage loan book is very robust at the current level. The probability of default for agriculture lending remains at about the same level as that of residential mortgages, while current capital adequacy rules require all of the group's lending to be risk-weighted at 100%, as opposed to 50% for residential mortgages. Taking this conservative risk-weighting into account, Landshypotek's capitalization clearly compares very favorably with that of its Swedish mortgage lending peers.

Table 1

Balance Sheet Statistics												
(Mil. SKr)	—Year ended Dec. 31—							Breakdown as a % of assets (adj.)				
	2006*	2005	2004	2003	2002	2001	2006*	2005	2004	2003	2002	2001
<i>Assets</i>												
Cash and money market instruments	126	92	128	71	58	75	0.31	0.24	0.35	0.19	0.16	0.21
Securities	4,262	1,390	300	1,508	180	180	10.34	3.63	0.83	4.02	0.50	0.50
Nontrading securities	4,262	1,390	300	1,508	180	180	10.34	3.63	0.83	4.02	0.50	0.50
Loans to banks (net)	0	0	0	335	55	75	0.00	0.00	0.00	0.89	0.15	0.21
Customer loans (gross)	35,908	36,182	34,921	34,831	34,600	33,662	87.07	94.37	96.38	92.81	96.33	94.35
All other loans	35,908	36,182	34,921	34,831	34,600	33,662	87.07	94.37	96.38	92.81	96.33	94.35
Loan loss reserves	46	228	131	106	11	11	0.11	0.60	0.36	0.28	0.03	0.03
Customer loans (net)	35,862	35,954	34,791	34,726	34,589	33,652	86.96	93.78	96.01	92.53	96.30	94.32
Earning assets	40,296	37,663	35,349	36,744	34,893	33,992	97.71	98.24	97.55	97.91	97.14	95.27

Table 1

Balance Sheet Statistics							(cont.'d)					
(Mil. SKr)	—Year ended Dec. 31—						Breakdown as a % of assets (adj.)					
	2006*	2005	2004	2003	2002	2001	- 2006*	2005	2004	2003	2002	2001
Intangibles (nonservicing)	0	13	0	0	0	1	0.00	0.03	0.00	0.00	0.00	0.00
Fixed assets	N.A.	363	373	374	165	167	N.A.	0.95	1.03	1.00	0.46	0.47
Derivatives credit amount	N.A.	117	229	47	333	1,030	N.A.	0.30	0.63	0.13	0.93	2.89
Accrued receivables	0	338	316	377	441	373	0.00	0.88	0.87	1.01	1.23	1.05
All other assets	988	86	97	90	96	127	2.40	0.22	0.27	0.24	0.27	0.35
Total reported assets	41,239	38,351	36,235	37,529	35,918	35,681	100.00	100.03	100.00	100.00	100.00	100.00
Less nonservicing intangibles	0	(13)	0	0	0	(1)						
Adjusted assets	41,239	38,339	36,235	37,529	35,918	35,679	100.00	100.00	100.00	100.00	100.00	100.00
							Breakdown as a % of liabilities + equity					
	2006*	2005	2004	2003	2002	2001	2006*	2005	2004	2003	2002	2001
<i>Liabilities</i>												
Total deposits	868	785	1,585	2,018	2,104	2,381	2.11	2.05	4.37	5.38	5.86	6.67
Noncore deposits	487	481	1,094	1,556	1,566	2,000	1.18	1.26	3.02	4.15	4.36	5.61
Core/customer deposits	382	304	491	462	538	380	0.93	0.79	1.35	1.23	1.50	1.07
Other borrowings	36,371	33,733	30,809	31,636	29,925	28,482	88.20	87.96	85.03	84.30	83.32	79.83
Other liabilities	796	655	665	756	727	727	1.93	1.71	1.84	2.01	2.02	2.04
Total liabilities	38,035	35,173	33,059	34,410	32,756	31,590	92.23	91.71	91.24	91.69	91.20	88.54
Total shareholders' equity	3,203	3,179	3,176	3,119	N.A.	4,090	7.77	8.29	8.76	8.31	N.A.	11.46
Limited life preferred and quasi equity	0	0	0	0	252	1,325	0.00	0.00	0.00	0.00	0.70	3.71
Common shareholders' equity (reported)	3,203	3,179	3,176	3,119	2,910	2,766	7.77	8.29	8.76	8.31	8.10	7.75
Share capital and surplus	N.A.	1,927	1,790	1,572	1,620	1,520	N.A.	5.02	4.94	4.19	4.51	4.26
Revaluation reserve	N.A.	N.A.	137	138	N.A.	N.A.	N.A.	N.A.	0.38	0.37	N.A.	N.A.
Reserves (incl. inflation revaluations)	N.A.	1,022	1,074	1,232	1,102	1,107	N.A.	2.66	2.96	3.28	3.07	3.10
Retained profits	N.A.	230	175	177	188	139	N.A.	0.60	0.48	0.47	0.52	0.39
Other equity	3,203	N.A.	0	0	N.A.	N.A.	7.77	N.A.	0.00	0.00	N.A.	N.A.
Total liabilities and equity	41,239	38,351	36,235	37,529	N.A.	35,681	100.00	100.00	100.00	100.00	N.A.	100.00
Less revaluation reserve, intangibles	0	(13)	(137)	(138)	0	(1)						
Tangible total equity	3,191	3,166	3,039	2,981	0	4,089						
Tangible common equity	3,191	3,166	3,039	2,981	2,910	2,764						
Adjusted common equity	3,191	3,166	3,039	2,981	2,910	2,764						
Plus preferred stock and other capital	0	0	0	0	N.A.	1,325						
Less limited life preferred stock over 10% total tangibles	0	0	0	0	0	(1,017)						
Adjusted total equity	3,191	3,166	3,039	2,981	3,162	3,072						

*Data as of March 31, 2006. Ratios annualized where appropriate. N.A.—Not available.

Table 2

Profit and Loss Statement Statistics												
(Mil. SKr)	—Year ended Dec. 31—						Adj. avg. assets (%)					
	2006*	2005	2004	2003	2002	2001	- 2006*	2005	2004	2003	2002	2001
<i>Profitability</i>												
Interest income	364	1,468	1,643	1,848	2,041	1,986	3.66	3.94	4.45	5.03	5.70	5.73
Interest expense	291	1,103	1,254	1,428	1,646	1,610	2.92	2.96	3.40	3.89	4.60	4.65
Net interest income	74	365	389	419	395	376	0.74	0.98	1.05	1.14	1.10	1.09
Operating noninterest income	10	35	37	34	40	28	0.10	0.09	0.10	0.09	0.11	0.08
Fees and commissions	3	8	5	5	6	(2)	0.03	0.02	0.01	0.01	0.02	0.00
Trading gains	0	0	4	1	1	4	0.00	0.00	0.01	0.00	0.00	0.01
Other noninterest income	7	27	28	27	33	26	0.07	0.07	0.08	0.07	0.09	0.07
Operating revenues	83	400	426	453	436	404	0.84	1.07	1.16	1.23	1.22	1.17
Noninterest expenses	51	214	185	183	165	152	0.51	0.58	0.50	0.50	0.46	0.44
Personnel expenses	0	82	80	84	77	74	0.00	0.22	0.22	0.23	0.22	0.21
Other general and administrative expense	49	122	95	92	79	71	0.49	0.33	0.26	0.25	0.22	0.20
Amortization of intangibles	0	0	0	0	1	1	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation and amortization-other	2	10	10	7	8	6	0.02	0.03	0.03	0.02	0.02	0.02
Net operating income before loss provisions	32	186	241	271	270	252	0.32	0.50	0.65	0.74	0.76	0.73
Credit loss provisions (net new)	(0)	205	75	96	9	18	0.00	0.55	0.20	0.26	0.02	0.05
Net operating income after loss provisions	33	(19)	166	174	262	233	0.33	(0.05)	0.45	0.47	0.73	0.67
Nonrecurring/special income	0	26	0	0	0	0	0.00	0.07	0.00	0.00	0.00	0.00
Pretax profit	33	8	166	174	262	233	0.33	0.02	0.45	0.47	0.73	0.67
Tax expense/credit	9	5	45	(7)	17	10	0.09	0.01	0.12	(0.02)	0.05	0.03
Net income before minority interest	24	3	121	181	244	224	0.24	0.01	0.33	0.49	0.68	0.65
Net income before extraordinaries	24	3	120	181	244	224	0.24	0.01	0.33	0.49	0.68	0.65
Net income after extraordinaries	24	3	120	181	244	224	0.24	0.01	0.33	0.49	0.68	0.65
Core earnings	24	(7)	120	(19)	44	24	0.24	(0.02)	0.33	(0.05)	0.12	0.07
	2006*	2005	2004	2003	2002	2001						
<i>Asset Quality</i>												
Nonperforming assets	299	1,114	982	960	1,144	378						
Nonaccrual loans	62	387	526	37	26	18						
Restructured loans	0	0	0	5	664	0						
Repossessed/other real estate owned	0	0	0	0	3	3						
Loans in arrears but accruing	237	727	456	918	452	357						
Net charge-offs	(0)	107	0	1	6	21						
<i>Average balance sheet</i>												
Average customer loans	35,908	35,372	34,758	34,657	34,120	32,801						
Average earning assets	38,980	36,506	36,047	35,819	34,442	33,099						
Average assets	39,795	37,293	36,882	36,723	35,799	34,637						
Average total deposits	827	1,185	1,801	2,061	2,242	2,261						
Average interest-bearing liabilities	35,879	33,456	33,024	32,842	31,446	29,929						

Table 2

Profit and Loss Statement Statistics							(cont.'d)					
(Mil. SKr)	—Year ended Dec. 31—						Adj. avg. assets (%)					
	2006*	2005	2004	2003	2002	2001	- 2006*	2005	2004	2003	2002	2001
Average common equity	3,191	3,177	3,147	3,014	2,838	2,684						
Average adjusted assets	39,789	37,287	36,882	36,723	35,799	34,635						
<i>Other data</i>												
Number of employees (end of period, actual)	N.A.	101	105	105	105	N.A.						
Off-balance-sheet credit equivalents	0	80	39	3	N.A.	N.A.						

*Data as of March 31, 2006. Ratios annualized where appropriate. N.A.—Not available.

Table 3

Ratio Analysis								
	—Year ended Dec. 31—							
	2006*	2005	2004	2003	2002	2001		
<i>ANNUAL GROWTH (%)</i>								
Customer loans (gross)			(3.03)	3.61	0.26	0.67	2.79	5.32
Loss reserves			(319.86)	74.72	23.88	850.11	5.57	2.36
Adjusted assets			30.26	5.81	(3.45)	4.48	0.67	6.22
Customer deposits			102.80	(38.14)	6.24	(14.02)	41.27	20.74
Tangible common equity			3.12	4.19	1.93	2.45	5.26	6.36
Total equity			3.11	0.09	1.82	N.A.	N.A.	7.75
Operating revenues			(16.67)	(6.00)	(6.01)	3.99	7.89	0.40
Noninterest expense			(4.51)	15.91	1.28	10.41	8.60	6.60
Net operating income before provisions			(30.69)	(22.83)	(10.93)	0.06	7.46	(3.01)
Loan loss provisions			(100.92)	173.09	(22.02)	982.67	(51.31)	N.M.
Net operating income after provisions			N.M.	(111.35)	(4.82)	(33.32)	12.05	(12.81)
Pretax profit			1643.48	(95.48)	(4.82)	(33.32)	12.05	(12.81)
Net income			3218.47	(97.62)	(33.50)	(25.67)	9.03	(10.01)
			2006*	2005	2004	2003	2002	2001
<i>PROFITABILITY (%)</i>								
<i>Interest Margin Analysis</i>								
Net interest income (taxable equiv.)/avg. earning assets			0.76	1.00	1.08	1.17	1.15	1.14
Net interest spread			0.50	0.73	0.76	0.81	0.69	0.62
Interest income (taxable equiv.)/avg. earning assets			3.74	4.02	4.56	5.16	5.93	6.00
Interest income on loans/avg. total loans			0.00	4.15	4.70	0.00	0.00	0.00
Interest expense/avg. interest-bearing liabilities			3.24	3.30	3.80	4.35	5.23	5.38
<i>Revenue Analysis</i>								
Net interest income/revenues			88.26	91.23	91.31	92.52	90.72	93.09
Fee income/revenues			3.42	1.97	1.17	1.15	1.46	(0.38)
Market-sensitive income/revenues			0.00	0.00	0.94	0.31	0.32	0.95
Noninterest income/revenues			11.74	8.77	8.69	7.48	9.28	6.91
Personnel expense/revenues			0.00	20.53	18.78	18.60	17.75	18.21
Noninterest expense/revenues			61.37	53.55	43.43	40.30	37.96	37.71
Noninterest expense/revenues less investment gains			61.37	53.55	43.43	40.30	37.96	37.71

Table 3

Ratio Analysis		(cont.'d)					
		—Year ended Dec. 31—					
		2006*	2005	2004	2003	2002	2001
Expense less amortization of intangibles/revenues		61.37	53.55	43.43	40.30	37.62	37.34
Expense less all amortizations/revenues		58.73	51.02	41.08	38.83	35.78	35.78
Net operating income before provision/revenues		38.63	46.45	56.57	59.70	62.04	62.29
Net operating income after provisions/revenues		39.20	(4.70)	38.97	38.48	60.01	57.78
New loan loss provisions/revenues		(0.57)	51.15	17.61	21.22	2.04	4.52
Net nonrecurring/abnormal income/revenues		0.00	6.58	0.00	0.00	0.00	0.00
Pretax profit/revenues		39.20	1.87	38.97	38.48	60.01	57.78
Net income/revenues		28.54	0.72	28.32	40.02	55.99	55.41
Tax/pretax profit		27.18	61.74	27.33	(4.01)	6.69	4.10
		2006*	2005	2004	2003	2002	2001
<i>Other Returns</i>							
Pretax profit/avg. risk assets (%)		0.35	0.02	0.46	0.49	0.73	0.68
Net income/avg. risk assets (%)		0.25	0.01	0.33	0.50	0.68	0.65
Revenues/avg. risk assets (%)		0.89	1.10	1.18	1.26	1.22	1.17
Net operating income before loss provisions/avg. risk assets (%)		0.34	0.51	0.67	0.75	0.76	0.73
Net operating income after loss provisions/avg. risk assets (%)		0.35	(0.05)	0.46	0.49	0.73	0.68
Net income before minority interest/avg. adjusted assets		0.24	0.01	0.33	0.49	0.68	0.65
Net income/avg. assets + securitized assets		0.24	0.01	0.33	0.49	0.68	0.65
Net income/employee (currency unit)		N.A.	27,864	1,136,890	1,727,543	N.A.	N.A.
Personnel expense/employee (currency unit)		N.A.	798,155	754,006	803,010	N.A.	N.A.
Cash earnings/avg. tang. common equity (ROE) (%)		3.27	0.42	4.34	6.38	8.94	8.64
Core earnings/avg. tang. common equity (ROE) (%)		3.00	(0.23)	3.99	(0.63)	1.55	0.89
		2006*	2005	2004	2003	2002	2001
<i>FUNDING AND LIQUIDITY (%)</i>							
Customer deposits/funding base		1.03	0.88	1.52	1.37	1.68	1.23
Total loans/customer deposits		9405.41	11912.80	7112.84	7609.34	6447.18	8867.04
Total loans/customer deposits + long-term funds		847.86	113.08	102.81	110.15	N.A.	119.78
Customer loans (net)/assets (adj.)		86.96	93.78	96.01	92.53	96.30	94.32
		2006*	2005	2004	2003	2002	2001
<i>CAPITALIZATION (%)</i>							
Adjusted common equity/adjusted assets		7.74	8.26	8.39	7.94	8.10	7.75
Adjusted common equity/adjusted assets + securitization		7.74	8.26	8.39	7.94	8.10	7.75
Adjusted common equity/risk assets		8.46	8.52	8.47	8.24	8.14	7.78
Adjusted common equity/customer loans (net)		8.90	8.81	8.73	8.59	8.41	8.21
Internal capital generation/prior year's equity		3.00	0.09	3.85	(0.64)	1.59	0.92
Tier 1 capital ratio		8.36	8.48	8.79	8.24	8.14	7.78
Regulatory total capital ratio		9.66	9.80	10.27	9.69	10.54	12.47
Adjusted total equity/adjusted assets		7.74	8.26	8.39	7.94	8.80	8.61
Adjusted total equity/adjusted assets + securitizations		7.74	8.26	8.39	7.94	8.80	8.61
Adjusted total equity/risk assets		8.46	8.52	8.47	8.24	8.85	8.64
Adjusted total equity plus LLR (specific)/customer loans (gross)		9.01	9.38	9.08	8.86	9.17	9.16

Table 3

Ratio Analysis	(cont.'d)					
	—Year ended Dec. 31—					
	2006*	2005	2004	2003	2002	2001
Common dividend payout ratio	0.00	0.00	0.00	110.26	81.95	89.35
	2006*	2005	2004	2003	2002	2001
<i>ASSET QUALITY (%)</i>						
New loan loss provisions/avg. customer loans (net)	(0.01)	0.58	0.22	0.28	0.03	0.06
Net charge-offs/avg. customer loans (net)	(0.00)	0.30	0.00	0.00	0.02	0.06
Loan loss reserves/customer loans (gross)	0.13	0.63	0.37	0.30	0.03	0.03
Credit-loss reserves/risk assets	0.12	0.62	0.36	0.29	0.03	0.03
Nonperforming assets (NPA)/customer loans + ORE	0.83	3.08	2.81	2.76	3.31	1.12
NPA (excl. delinquencies)/customer loans + ORE	0.17	1.07	1.51	0.12	2.00	0.06
Net NPA/customer loans (net) + ORE	0.71	2.46	2.45	2.46	3.28	1.09
NPA (net specifics)/customer loans (net specifics)	0.71	2.46	2.45	2.46	3.28	1.09
Loan loss reserves/NPA (gross)	15.32	20.50	13.32	11.00	0.97	2.78

*Data as of March 31, 2006. Ratios annualized where appropriate. N.A.—Not available. N.M.—Not meaningful.

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