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Research Update: Outlook To Positive On DZ BANK And Various German Cooperative Sector Banks; Ratings Affirmed

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Credit Rating: A/Positive/A-1

Rationale

On Aug. 23, 2006, Standard & Poor's Ratings Services revised to positive from stable the outlooks on Germany-based DZ BANK AG Deutsche Zentral-Genossenschaftsbank (DZ BANK) and on other rated members of the German cooperative banking sector. At the same time, it affirmed its long-term 'A' and short-term 'A-1' counterparty credit and certificate of deposit ratings on DZ BANK--including its subsidiaries Deutsche Genossenschafts-Hypothekenbank AG, DZ Bank International S.A., and DZ Bank Ireland PLC--and on WL-BANK WESTFÄLISCHE LANDSCHAFT Bodenkreditbank AG and on 164 cooperative sector member banks, including Deutsche Apotheker- und Ärztebank eG. In addition, it affirmed its 'A-' long-term and 'A-2' short-term ratings on DVB Bank AG and VR Leasing AG.

The outlook changes mainly reflect further progress of Germany's cooperative banking sector in achieving improvements in asset quality, capitalization, and profitability. The recovery in asset quality indicators of the sector continues to be stronger than previous expectations.

The ratings are based on the aggregate financial strength of the entire cooperative banking sector in Germany including its strong market position in domestic retail banking; its stable funding sources; and overall sound capitalization. Factors constraining the ratings are the local cooperative banks' slow, yet improving, ability to realize cost synergies; exposure to low growth prospects and strong competition in the domestic market; and the structurally higher credit loss provisions in domestic retail banking.

The 'AAA' ratings on DZ BANK's covered bonds primarily reflect the bonds' collateral and the protections afforded by Germany insolvency and banking laws.

DZ BANK is closely integrated into the German cooperative sector and plays an important role as the larger of the two central banks of the sector, and as majority owner of the sector's strategically important product providers. At June 30, 2006, it had consolidated assets totaling €427.4 billion.

Despite the legally independent nature of member institutions, Standard & Poor's views the German cooperative banking sector analytically as a cohesive economic group. Strong integration and coherence within the sector, including its system of solidarity and comprehensive protective scheme, which has prevented insolvencies of member institutions for 70 years underscore this view.

Reported assets total €909 billion, placing the sector as Germany's second-largest financial services group. The 1,200 plus local cooperative banks benefit from a loyal customer base and are deeply entrenched in their local communities. Specialized entities majority-owned by DZ BANK allow the sector to offer a complete range of financial services, generally also benefiting from strong positions in these product segments.

The local cooperative banks face mounting competition from specialized low-cost niche players, however, which mainly attack their traditional core retail deposits and mortgage loans in a low-growth domestic environment. As many of the specialized sector entities focus on areas with higher expected growth rates, it is imperative that the generally sound cooperation in the sector continues to intensify.

The sector's profitability levels are expected to remain modest for a retail-banking organization in Europe, but should continue to benefit from a favorable stability of revenues. Interest margin pressure on core products of the local banks is likely to be offset by the sales growth in products of specialized sector entities. This, together with significantly lower loan loss provisions, contributed to the improved sector profitability in 2005. Nevertheless, synergies from consolidation at the local cooperative banks are filtering through only slowly, and may allow no more than a mere stabilization of their cost base.

Asset quality indicators are continuing their strong recovery from the weak levels experienced in the early 2000s. Although asset quality is likely to remain cyclical, enhanced credit-risk management across the sector should limit future volatility. Still, in line with other retail banks in Germany, the level of risk provisions remains relatively high in a European context.

Liquidity risk of the sector is expected to remain low, given that local cooperative banks benefit from a strong and stable retail-funding base. Wholesale-funded DZ BANK is also expected to maintain sound liquidity, with available collateral comfortably exceeding short-term unsecured interbank or customer liabilities.

The sector's capitalization on a consolidated basis continues to improve, mainly due to enhanced internal capital generation capacity and modest loan growth at the local cooperative banks. The issuance of new membership certificates also provides for stable growth of paid-up capital. Making capital resources available across the sector remains a key challenge. Capitalization of the DZ BANK group is still moderate.

Outlook

The positive outlook reflects that ratings on cooperative sector member banks might be raised if the sector further underpins its track record of improved profitability, asset quality, and capitalization. A favorable trend of gradual improvements in 2006 would be positive for the ratings. Conversely, a reversal of the sector's recovery could trigger negative rating actions.

The positive outlook also reflects that DZ BANK's intrinsic risk and business profile has strongly recovered over the past several years, thus removing previous concerns regarding potential negative implications for the sector. Standard & Poor's expects that the solidarity within the sector to support troubled institutions will remain unchanged.

Ratings List

	To	From
DZ BANK AG Deutsche Zentral-Genossenschaftsbank		
Counterparty credit ratings		
	A/Positive/A-1	A/Stable/A-1
CP	A-1	
CD	A/A-1	
Senior secured debt	AAA	
Senior unsecured debt	A	
Subordinated debt	A-	
Short-term secured debt	A-1+	
Deutsche Genossenschafts-Hypothekenbank AG		
Counterparty credit ratings		
	A/Positive/A-1	A/Stable/A-1
CD	A/A-1	
Senior secured debt	AAA	
Senior unsecured debt	A	
Subordinated debt	A-	
DZ Bank International S.A.		
Counterparty credit ratings		
	A/Positive/A-1	A/Stable/A-1
CP	A-1	

CD	A/A-1
Senior unsecured debt	A
DZ Bank Ireland PLC	
Counterparty credit ratings	A/Positive/A-1 A/Stable/A-1
CD	A/A-1
Senior unsecured debt	A
Subordinated debt	A-
DVB Bank AG	
Counterparty credit ratings	A-/Positive/A-2 A-/Stable/A-2
CP	A-2
CD	A-/A-2
Senior unsecured debt	A-
Subordinated debt	BBB+
VR Leasing AG	
Counterparty credit ratings	A-/Positive/A-2 A-/Stable/A-2
WL-BANK WESTFÄLISCHE LANDSCHAFT Bodenkreditbank AG	
Counterparty credit ratings	A/Positive/A-1 A/Stable/A-1
Senior secured (Öffentliche Pfandbriefe)	AAA
Senior secured (Hypotheken Pfandbriefe)	AAA
CD	A/A-1
Senior unsecured debt	A
Short-term debt	A-1
Short-term secured debt	A-1+
Deutsche Apotheker- und Ärztebank eG	
Counterparty credit ratings	A/Positive/A-1 A/Stable/A-1
CP	A-1
CD	A/A-1
Senior unsecured debt	A
Subordinated debt	A-
Short-term debt	A-1
Other member banks of the cooperative sector:	
Counterparty credit rating*	A/Positive/A-1 A/Stable/A-1
CD*	A/A-1

*This rating applies to all of the following local cooperative banks:

Augusta-Bank eG Raiffeisen-Volksbank
 Genobank Rhoen-Grabfeld eG
 Genossenschaftsbank eG Muenchen
 Hallertauer Volksbank eG
 Handels- und Gewerbebank Augsburg eG
 Kulmbacher Bank eG Raiffeisen-Volksbank
 Landsberg-Ammersee Bank eG Volks- und Raiffeisenbank
 LIGA Bank eG
 Raiffeisen - Volksbank Hermsdorfer Kreuz eG
 Raiffeisenbank Allersberg eG
 Raiffeisenbank Altdorf-Ergolding eG

Raiffeisenbank Altdorf-Feucht eG
Raiffeisenbank am Dreisessel eG
Raiffeisenbank Am Goldenen Steig eG
Raiffeisenbank Arnstorf eG
Raiffeisenbank Aschaffenburg eG
Raiffeisenbank Aschau-Samerberg eG
Raiffeisenbank Bachgau Grossostheim-Stockstadt eG
Raiffeisenbank Bad Windsheim eG
Raiffeisenbank Baisweil-Eggenthal-Friesenried eG
Raiffeisenbank Bechhofen eG
Raiffeisenbank Beuerberg-Eurasburg eG
Raiffeisenbank Bissingen eG
Raiffeisenbank Bobingen eG
Raiffeisenbank Bruck eG
Raiffeisenbank Buch-Eching-Vatersdorf eG
Raiffeisenbank Buchloe-Kaufbeuren-Marktobderdorf eG
Raiffeisenbank Burgau eG
Raiffeisenbank Cham-Roding eG
Raiffeisenbank Deggendorf-Plattling eG
Raiffeisenbank Donaustauf-Suenching-Mintraching eG
Raiffeisenbank Eichenbuehl und Umgebung eG
Raiffeisenbank Elsavatal eG
Raiffeisenbank Essenbach eG
Raiffeisenbank Estenfeld-Bergtheim eG
Raiffeisenbank Fuessen-Pfronten-Nesselwang eG
Raiffeisenbank Gaimersheim-Buxheim eG
Raiffeisenbank Geisenhausen eG
Raiffeisenbank Gerolsbach eG
Raiffeisenbank Gilching eG
Raiffeisenbank Grainet eG
Raiffeisenbank Griesstaett-Halving eG
Raiffeisenbank Haldenwang eG
Raiffeisenbank Hammelburg eG
Raiffeisenbank Heilsbronn-Windsbach eG
Raiffeisenbank Hemau eG
Raiffeisenbank Hengersberg-Schoellnach eG
Raiffeisenbank Hersbruck eG
Raiffeisenbank Hiltenfingen eG
Raiffeisenbank Hoehenkirchen und Umgebung eG
Raiffeisenbank Holzkirchen-Otterfing eG
Raiffeisenbank Horgau eG
Raiffeisenbank Ichenhausen eG
Raiffeisenbank Iller-Roth-Guenz eG
Raiffeisenbank im Isarwinkel eG
Raiffeisenbank im Naabtal eG
Raiffeisenbank im Oberland eG
Raiffeisenbank Ingolstadt-Pfaffenhofen-Eichstaett eG
Raiffeisenbank Jettingen-Scheppach eG
Raiffeisenbank Kallmuenz eG
Raiffeisenbank Karlstadt-Gemuenden eG
Raiffeisenbank Kernrather Land - Steinwald eG
Raiffeisenbank Kirchberg vorm Wald eG
Raiffeisenbank Kissing-Mering eG
Raiffeisenbank Koenigsdorf-Gelting eG
Raiffeisenbank Krumbach/Schwaben eG
Raiffeisenbank Lech-Ammersee eG
Raiffeisenbank Lohr am Main eG
Raiffeisenbank Neumarkt i.d. OPf. eG
Raiffeisenbank Neu-Ulm/Weissenhorn eG
Raiffeisenbank Oberallgaeu-Sued eG
Raiffeisenbank Oberferrieden-Burgthann eG
Raiffeisenbank Obernburg eG

Raiffeisenbank Oberschleissheim eG
Raiffeisenbank Ochsenfurt eG
Raiffeisenbank Ortenburg eG
Raiffeisenbank Parsberg-Velburg eG
Raiffeisenbank Pfaffenhofen a.d. Glonn eG
Raiffeisenbank Pfaffenwinkel eG
Raiffeisenbank Pfeffenhausen-Rottenburg eG
Raiffeisenbank Rain am Lech eG
Raiffeisenbank Regensburg-Wenzenbach eG
Raiffeisenbank Regenstauf eG
Raiffeisenbank Roggenburg-Breithenthal eG
Raiffeisenbank Rosenheim eG
Raiffeisenbank RSA eG
Raiffeisenbank Salzweg-Thyrnau eG
Raiffeisenbank Schierling-Obertraubling eG
Raiffeisenbank Schoellkrippen und Umgebung eG
Raiffeisenbank Schrobenhausen eG
Raiffeisenbank Schwandorf-Nittenau eG
Raiffeisenbank Seebachgrund eG
Raiffeisenbank Singoldtal eG
Raiffeisenbank Stauden eG
Raiffeisenbank Steingaden eG
Raiffeisenbank suedoestl. Starnberger See eG
Raiffeisenbank Thannhausen eG
Raiffeisenbank Toelzer Land eG
Raiffeisenbank Unteres Inntal eG
Raiffeisenbank Vilshofener Land eG
Raiffeisenbank Volkach-Wiesentheid eG
Raiffeisenbank Wegscheid eG
Raiffeisenbank Weiden eG
Raiffeisenbank Weil und Umgebung eG
Raiffeisenbank Weilheim eG
Raiffeisenbank Weissenburg eG
Raiffeisenbank Westallgaeu eG
Raiffeisenbank Westkreis Fuerstfeldbruck eG
Raiffeisen-Volksbank Bad Staffelstein eG
Raiffeisen-Volksbank Ebersberg eG
RaiffeisenVolksbank eG Gewerbebank
Raiffeisen-Volksbank Erlangen-Hoechstadt eG
Raiffeisen-Volksbank Fuerth eG
Raiffeisen-Volksbank Gerolzhofen-Unterspiesheim eG
Raiffeisen-Volksbank Hassberge eG
Raiffeisen-Volksbank in den Landkreisen Altoetting-Muehldorf eG
Raiffeisen-Volksbank Isen-Sempt eG
Raiffeisen-Volksbank Lichtenfels-Itzgrund eG
Raiffeisen-Volksbank Miltenberg eG
Raiffeisen-Volksbank Neuburg/Donau eG
Raiffeisen-Volksbank Tuessling-Unterneukirchen eG
Raiffeisen-Volksbank Wemding eG
Rottaler Raiffeisenbank eG
Rottaler Volksbank-Raiffeisenbank eG
RV - Bank eG
Vereinigte Raiffeisenbanken Graefenberg-Forchheim-Eschenau-Heroldsberg eG
Volksbank Burghausen eG
Volksbank Forchheim eG
Volksbank Guenzburg eG
Volksbank Neu-Ulm eG
Volksbank Nordoberpfalz eG
Volksbank Ostallgaeu eG
Volksbank Raiffeisenbank Berchtesgadener Land eG
Volksbank Raiffeisenbank Dachau eG
Volksbank Raiffeisenbank Ismaning eG

Volksbank Raiffeisenbank Mangfalltal-Rosenheim eG
Volksbank Raiffeisenbank Nürnberg eG
Volksbank Raiffeisenbank Starnberg-Herrsching-Landsberg eG
Volksbank Raiffeisenbank Traunstein eG
Volksbank Raiffeisenbank Wuerzburg eG
Volksbank Schrobenhausen eG
Volksbank Straubing eG
Volksbank Vilshofen eG
Volksbank-Raiffeisenbank Amberg eG
Volksbank-Raiffeisenbank Chiemsee eG
Volksbank-Raiffeisenbank Dingolfing eG
Volksbank-Raiffeisenbank Muehldorf-Ampfing eG
Volksbank-Raiffeisenbank Penzberg eG
VR Bank Bamberg eG, Raiffeisen-Volksbank
VR Bank Muenchen Land eG
VR Bank Kitzingen eG
VR-Bank Chiemgau-Sued eG
VR-Bank Coburg-Rennsteig eG Raiffeisenbank/Volksbank
VR-Bank eG Schweinfurt Land
VR-Bank Gersthofen-Meitingen eG
VR-Bank Landshut eG
VR-Bank Passau eG
VR-Bank Rhoen-Grabfeld eG
VR-Bank Rothenburg o.d.Tbr. eG
VR-Bank Rottal-Inn eG
VR-Bank Uffenheim-Neustadt eG Raiffeisen-Volksbank
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