

DVB Bank AG

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CREDIT RATING

A-/Stable/A-2

Outstanding Rating(s)

Counterparty Credit	A-/Stable/A-2
Certificate of deposit	A-/A-2
Senior unsecured	A-
Commercial paper	
Local currency	A-2
Subordinated	
Local currency	BBB+

Credit Rating History

July 29, 2005	A-/A-2
Aug. 30, 2001	BBB+/A-2

Sovereign Rating

Germany (Federal Republic of)	AAA/Stable/A-1+
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Related Entities

Deutsche Apotheker- und Aerztebank eG

Counterparty Credit	A/Stable/A-1
Certificate of deposit	A/A-1
Senior unsecured	A
Commercial paper	
Local currency	A-1
Subordinated	
Local currency	A-
Junior subordinated	
Foreign currency	BBB+

Short-Term debt	
Local currency	A-1
Short-Term debt	
Foreign currency	NR
Certificate of deposit	
Senior unsecured	A
Commercial paper	
Local currency	A-1
Subordinated	
Local currency	A-
Junior subordinated	
Foreign currency	BBB+
Short-Term debt	
Local currency	A-1
Short-Term debt	
Foreign currency	NR

**DZ BANK AG Deutsche Zentral-
Genossenschaftsbank**

Counterparty Credit	A/Stable/A-1
Certificate of deposit	A/A-1
Senior unsecured	A
Commercial paper	
Local currency	A-1
Subordinated	
Local currency	A-
Short-Term debt	
Local currency	A-1
Short-Term secured debt	
Local currency	A-1+
Senior secured	
Local currency	AAA

Major Rating Factors

Strengths:

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

Weaknesses:

- DVB's inferior strategic importance to the cooperative sector compared with core members;
- High concentration risk on volatile business; and
- Gradually improving yet modest capitalization and earnings.

Rationale

The ratings on DVB Bank AG (DVB) and other rated member banks of the German cooperative banking sector are based on the sector's solidarity and comprehensive protective scheme, which has prevented insolvencies of member institutions for 70 years, and reflect Standard & Poor's Ratings Services view of the sector as a single economic group. Standard & Poor's moderately differentiates the ratings on DVB from strategic core members of the sector to reflect its weaker strategic importance, limited integration, and a more fragile stand-alone profile. Should it ever become necessary, however, Standard & Poor's trusts that the solidarity support of the cooperative sector would be forthcoming, provided through the ongoing ownership by DZ BANK AG Deutsche Zentral-Genossenschaftsbank (DZ BANK; A/Stable/A-1; 93% owner) and DVB's membership of the cooperative sector protective scheme. (For more details on DZ BANK and the German cooperative sector see latest report on DZ BANK and the article entitled "Bank Industry Risk Analysis: Germany (Federal Republic of)," published on Jan. 26, 2006, on RatingsDirect).

DVB has successfully finalized its transformation into a specialized wholesale commercial bank, focusing on relationship banking solely in the worldwide transport sector. DVB's overall asset quality in its transport portfolio is expected to remain sound, reflecting its longstanding expertise coupled with prudent, steadily improving risk management; sound underwriting standards; an almost exclusive highly secured lending approach; and an emphasis on diversification by objects and regions financed. Therefore, DVB was able to demonstrate remarkably low loan losses despite periods of severe stress testing of selected transport financing markets, a characteristic that prevails in aviation financing.

DVB substantially improved its IFRS pretax income to 69 basis points (bps) of RWAs by year-end 2005 (up 25% year-on-year), helped by strong business growth and increased fee-generating mandates. A further boost was provided by net new loan loss provisions (NNLLPs), which almost halved to 17 bps of RWAs due to healthy conditions in its shipping segment, and following last year's final exit portfolio cleanup, both of which allowed excess reversals of NNLLPs.

While operating earnings improvements demonstrate rapid and successful strategic concentration on core transport segments, profitability levels achieved so far still compare moderately by international standards, considering that additional risk premiums are usually required for the level of concentration in volatile markets, and that posted NNLLPs in transport segments were well below expectations on volatile standard risk costs. Further qualitative and quantitative improvements are expected to come from more recently increased but peaking

margins; fee leveraging of customer relationships; ongoing strict cost containment to improve efficiency; and increased capital.

Standard & Poor's regards DVB's capital strength as modest, given its concentration risk on volatile and higher risk transport sectors, its modest first-line of defense from operating earnings, the amount of goodwill, and dated hybrids. DVB's 2005 switch to IFRS accounting standards (with 2004 IFRS restated) from German GAAP had an overall modest aggregate impact on Standard & Poor's calculation of DVB's adjusted common equity (ACE) and adjusted total equity (ATE). Buoyed by growing earnings power, capitalization is expected to gradually improve further.

Outlook

The stable outlook mirrors that of the cooperative sector and its majority owner, DZ BANK. The outlook reflects the expectation that the improvements in profitability, asset quality, and capitalization, achieved by Germany's cooperative banking sector are sustainable, and that solidarity within the sector will remain unchanged.

Key elements for the development of the ratings on DVB are the German cooperative sector's strategic decisions to strengthen or lessen DVB's group role, further improvements in the sector's and DZ BANK's strength; ongoing sector solidarity to support member institutions in need; and further improvements in DVB's weaker stand-alone profile.

Profile: Asset-Based Transport Sector Lender And Servicer

With total consolidated assets of EUR11 billion at March 31, 2006, DVB is a Germany-based wholesale commercial bank that focuses exclusively on the worldwide transport sector, of which about 90% are international customers. DVB's 371 staff and worldwide network services the upper tier of international and domestic customers (air, sea, railway, road, and infrastructure) with highly secured and diversified cash flow financings. It is also increasing conducting transport-related fee-generating advisory business.

Table 1

DVB Bank AG—Financial Statistics*						
	<i>Exposure</i>	<i>Exposure</i>	<i>Growth</i>	<i>Income after risk</i>	<i>Income after risk</i>	<i>Income after risk</i>
	<i>(Bil.</i>	<i>(%)</i>	<i>versus 2004</i>	<i>provisions</i>	<i>provisions</i>	<i>of avg. RWAs</i>
	<i>EUR)</i>		<i>(%)</i>	<i>(Mil. EUR)</i>	<i>(%)</i>	<i>(%)</i>
Shipping	5.7	53.2	33.6	63.3	108.2	1.5
Aviation	3.0	27.7	35.9	21.2	36.2	0.8
Land Transport	1.0	8.9	6.7	6.6	11.3	0.8
Transport Infrastructure	0.6	5.9	23.1	6.6	11.3	1.4
Corporate finance and Capital Market Products	0.3	2.5	0.0	16.0	27.4	10.2
Exit Portfolio (Nonstrategic legacy portfolio)	0.2	1.8	(24.0)	0.8	1.4	0.4
Treasury, Other, and Consolidation	N.M.	N.M.	N.M.	(56.0)	(95.7)	(10.7)
Total	10.8	100.0	32.1	58.5	100.0	0.7

*Figures at Dec. 31, 2005. Figures according to IFRS accounting. RWAs—Risk-weighted assets. N.M.—Not meaningful.

DVB underwent a successful, rapid, and wide-ranging transformation into a specialized transport sector bank, which was fully completed by year-end 2004. Key accomplishments on the way were:

- In 1998: A EUR1.4 billion loan portfolio acquisition (mainly international aircraft) from Long-Term Credit Bank of Japan Ltd. (LTCB). Subsequently, International Transport Finance Ltd., London (ITFL) was established and put in charge of handling customer relationships in Japan, primarily aviation, and processing loans to Japanese leasing companies.
- In 2000: The 100% acquisition and consolidation of Nedship Bank N.V. (renamed into DVB Bank N.V. [DVB NV] by 2004), strongly complements ship financing, an area where the DVB group claims to be among the 10 largest worldwide. DVB issued a letter of comfort in favor of DVB NV to mitigate its separate legal incorporation and nonmembership of the German cooperative guarantee system.
- In 2002: The transferal of its historical central bank function for 15 local cooperative banks (Sparda Banken) to DZ BANK, with the liquidity management for these banks retained until year-end 2004.
- In 2003: The sale of its subsidiaries, ReiseBank AG and CashExpress GmbH (exchange of foreign currency bills and travelers checks for retail customers) to DZ BANK. DVB realized a EUR87.5 million net sales gain (over book value), which was retained to capital.

Ownership And Legal Status

Contrary to the cooperative banks, but like its majority owner, DVB is a joint-stock company, 93% owned by DZ BANK, with the remaining shares in free float. DVB, like DZ BANK, is a member of the guarantee system of the German cooperative banking sector. As a credit institution, DVB is subject to the provisions of the German Banking Act (Kreditwesengesetz, or KWG) and to the supervision of the German Federal Financial Supervisory Agency (Bundesanstalt für Finanzdienstleistungsaufsicht; or BaFin).

Strategy

Following its successful strategic repositioning as a niche bank for the transport industry, DVB exclusively services structured finance and corporate advisory business to its selected clientele. The bank aims to become a leading wholesale financial institution in the huge and growing transport market, where shipping has recently demonstrated high volatility. Business is still at healthy levels in 2006, although has fallen sharply from peaks in early 2005. By contrast, the aviation operating environment is expected to gradually improve, but remain highly challenged. (For further details on the transport sector see articles entitled “Industry Report Card: North American Transportation Sectors See Healthy Revenues But Cost Challenges”, published on July 5 2006; “Industry Report Card: European Transportation”, published on May 31, 2006; “Industry Report Card: Global Transportation”, published on Jan. 6, 2005, on RatingsDirect.)

DVB strictly pursues an anti-cyclical approach to buffer highly volatile transport segments. This involves, for example, operating cautiously at present in shipping segments; escaping price and underwriting competition; and building more robust customer relationships. Furthermore, DVB is constantly broadening its coverage in less competitive, higher margin subsegments or products, such as the financing of yachts and offshore storage (since 2005); aircraft engines and cruisers (since 2004); or containers (since 2003). Local expertise and relationships are supported by its

international presence and highly qualified international staff. DVB primarily services the upper tier of international and domestic customers, with a target portfolio of 40% shipping, 40% aviation, and 20% land transport and infrastructure.

Standard & Poor's expects DVB to further promote its name recognition and to use its expertise and customer relationships for new transactions to gain larger market shares, to increasingly cover transport-related subsegment niches, while maintaining prudent underwriting standards. While DVB's expansion is limited by its modest capital levels, qualitative growth is needed to use the bank's facilities more efficiently and to further reduce its improving, but still high cost-to-income ratio. Alongside strict cost containment, DVB's ongoing success in leveraging customer relations with higher margins (after risk), and fee-generating additional services and products (such as advisory, syndication, arranger functions, M&A, and mezzanine finance) are essential to further improve and diversify its profitability and to widen the utilization of its capital resources. At the same time, ongoing sophisticated risk and collateral management, and sound lending practices are of paramount importance, given DVB's pure capital and earnings concentration on internationally volatile transport segments.

Risk Management

Credit risk: Sound asset quality and prudent underwriting in transport segments

The transport portfolio comprises 98% of customer lending. Its asset quality is expected to remain sound, based on DVB's proven longstanding expertise, steadily improved and sophisticated risk-management systems, sound credit and collateral guidelines, the very high proportion of cash-flow-based collateralized transactions with reasonable LTV ratios, and diversification by objects and regions financed. While maintaining these prerequisites should allow DVB to keep loan losses manageable, DVB's buffer against unexpected losses from its significant structural exposure on volatile and higher risk sectors is limited, considering its improving yet moderate efficiency and capital base. DVB's legacy exit portfolio is not a material concern, now that it has been strongly reduced to only 1.8% of customer loans.

Shipping loans (53% of customer loans) benefit from the 98% collateralization by vessels; only 0.5% has LTV ratios of more than 85% (improved by strict lending discipline and high markets); and the loans are well diversified by vessel type and regions. Most shipping markets recovered to excellent conditions between mid-2003 and early 2005. Nevertheless, volatility emerged again in late 2005, when shipping charter rates in key segments plummeted by up to 54% owing to overheated market expectations, yet were still well above the 10-year average, and again differed considerably among subsegments. (See article entitled "CreditStats: Shipping Companies", published Aug. 11, 2005, on RatingsDirect.)

Aviation (28% of customer loans) is also well diversified by type of aircraft type, by regions, and by age. Of the aviation portfolio, 99% is collateralized by aircraft, and only 4.6% has LTV ratios of over 80%. The aviation sector has started its gradual recovery since 2005 from its very challenging operating environment after 2001, which had caused a significant drop in air traffic volume and severe pressure on airline credit quality, aircraft values, and lease rates. High fuel prices and the threat of terrorism continue to weigh heavily on the sector, however. (For further details see "Industry Report Card: Global Aerospace & Defense", published on April 28, 2006, on RatingsDirect.)

Land transport and Infrastructure (9% and 6%, respectively, of customer loans) represents DVB's well-diversified traditional transport business (rail, road, and infrastructure). The remaining 2% of customer loans represents its nonstrategic exit portfolio, which includes performing nontransport corporate loans, or low-yielding transport loans, and NPLs.

DVB's loan losses continue to remain remarkably low throughout severe stress-testing periods in some transport financing markets. However, loan loss provisioning (LLP) levels are not an accurate indicator, as loans are often renegotiated and restructured. DVB's loan loss reserves (LLRs; EUR121 million) have been virtually only necessary for its exit portfolio (loan loss coverage of 49%), and new specific LLPs required for its shipping or aviation portfolio are very low. However, 43% of LLRs have been set aside for the aviation portfolio more recently, a large portion of which is more a general reserve for expected losses.

Funding and liquidity risk: Soundly managed but relative weakness as wholesaler

DVB's market-risk and liquidity management and risk appetite are sound, which mitigates a wholesale funder's relative weaknesses because diversification, access, and cost will be more susceptible to market perceptions than more diversified banks with a loyal retail customer base, which also constrains profitability. DVB's major funding source remains interbank funds (28% of liabilities at March 31, 2006), as it lacks a retail customer base. By year-end 2004, DVB also lost the liquidity management for the Sparda Banken, following its transferal to DZ BANK, which now assumes Sparda banks' interbank business. While DVB has substituted this business with increased unsecured refinancings, conditions are less favorable with regard to a steady funding flow and costs. However, in times of stress, DVB's parent, DZ BANK, is expected to provide funds to bridge liquidity gaps if required. To broaden its international investor base and substitute funding needs, DVB has increasingly tapped the capital markets. Own bonds issued have risen to about 32% of liabilities. Furthermore, DVB has increased its issuance of structured products to reduce funding costs. Asset-liability management aims to ensure that DVB's liquidity ratio comfortably exceeds the regulatory minimum. In times of stress, DVB has back-up lines in place and should also be able to raise funds from sector members as long as it remains a group member.

Market risk: Prudently managed

DVB is not a trading house, and its prudent market-risk management focuses on the overall interest rate risk of the banking business. Interest rate risk is closely monitored and limited by daily scenario analysis on a present-value basis. Overnight shifts are used for potential price movements to control its limited foreign exchange and equity positions. DVB's risk appetite is in line with its limited ability to absorb adverse market movements.

Profitability: Modest By International Standard And Considering Concentration Risks

DVB substantially improved its IFRS pretax income after risk to 69 bps of RWAs by year-end 2005 (up 25% year-on-year), based on strong business growth, increased fee-generating mandates, and NNLLPs that almost halved to 17 bps of RWAs due to overall healthy conditions in transport segments, and following last year's final exit portfolio clean up, including NNLLP reversals. Comparisons with results before 2004 have limited value, given that reporting was under German GAAP and taking into account substantial onetime effects (investment sales) and discontinued business lines. While at March 31, 2006, net income after risk doubled to more than 130 bps of

RWAs, this is strongly overstated as guidance for expected full-year results, especially as NNLLPs were significantly below standard risk costs and hedge-accounting effects.

Standard & Poor's views as positive the substantial improvements achieved through rapid and successful strategic concentration on core transport segments in past years. Nevertheless, profitability levels achieved so far are moderate by international standards, given that additional risk premiums are usually required for the level of concentration in volatile markets and that NNLLPs posted in transport segments were well below expectations on volatile standard risk costs. At the same time, however, improvements confirm that earnings generated by transport more than compensated for less-efficient nonstrategic operations that were discontinued.

Standard & Poor's expects further qualitative and quantitative improvements from more recently increased but peaking margins; fee leveraging of customer relationships; ongoing strict cost containment to improve efficiency; increased capital; and a further reduction of its already very small but costly (low margins and/or disproportionate LLPs) exit portfolio.

DVB's overall net interest margins improved to 107 bps in 2005, after the boost in the past provided by the Nedship consolidation. DVB has been able to steadily improve its margins in light of its solid risk pricing policy, higher market price levels in the aftermath of the events of Sept. 11, 2001, a low interest rate environment, and its reduced low-yielding exit portfolio. Following strong margin increases for new business in the past (between 20 bps and 50 bps), Standard & Poor's expects that increasing margin pressures from much stronger competition will continue reflecting a positive market climate for many transport subsegments, and as a result attract new lenders. DVB is expected to mitigate the effects by enforcing minimum pricing standards based on established client relationships, and more higher margin sub-niche activities.

Table 2

<i>DVB Bank AG—Reported Margins</i>			
<i>(%)</i>	<i>Avg. margin 2005</i>	<i>Avg. margin 2004</i>	<i>Change</i>
Shipping	1.39	1.44	(3.47)
Aviation	2.16	2.06	4.85
Land Transport	1.49	1.39	7.19
Transport Infrastructure	2.43	1.77	37.29
Total	1.62	1.63	(0.61)

In 2005, DVB's fee generation improved by 35% in its transport segments by providing additional services (for example, arranging structured finance transactions) and syndications, which is regarded as important to diversify earnings and to use capital more efficiently.

DVB markedly improved its cost-to-income ratio to a much more favorable 60% at year-end 2005, from levels of more than 80% before 2003. This was achieved through the sale of less efficient operations, an ongoing strong commitment to lower its cost base, previous years' restructuring costs, state-of-the-art IT investments, corporate finance expansion, and the winding down of its exit operations. DVB's 17% expense increase between 2005 and 2004 is regarded as being of a more temporarily nature, as it includes repositioning costs for qualified staff and sub-niche segments. At the same time, Standard & Poor's expects that DVB's cost containment measures in combination with improving operating earnings will allow it to achieve its targeted 50% cost-to-income ratio in the medium term.

NNLLPs substantially declined to absorb only 8% of revenues as at Dec. 31, 2005, or 17 bps of RWAs, based on its finalized exit portfolio workout. Furthermore, aggregate NNLLPs are well below unexpected losses in transport segments, and even show net income from high reversals in the shipping portfolio.

Table 3

DVB Bank AG—New Net Loan Loss Provisions*				
	<i>NNLLPs 2005 (Mil. EUR)</i>	<i>NNLLPs 2004 (Mil. EUR)</i>	<i>NNLLPs as % of RWAs 2005</i>	<i>Avg. NNLLPs (2005 and 2004) as % of avg. RWAs</i>
Shipping	0.6	6.9	0.01	0.09
Aviation	(18)	(19)	(0.70)	(0.72)
Land transport	0	0	0.00	0.00
Transport and infrastructure	0	(2)	0.00	(0.16)
Corporate finance and capital-market products	0	0	0.00	0.00
Nonstrategic exit portfolio	1	(8)	0.48	(1.65)
Treasury, service center, other, and consolidation	1.4	(4)	0.27	(0.27)
Total	(15)	(26)	(0.17)	(0.22)

*Figures at Dec. 31, 2005. All figures according to IFRS accounting. RWAs—Risk-weighted assets. NNLLPs—Net new loan loss provisions (including income and excluding is expense).

Capital: Gradual Improvements From Modest Levels Expected

Standard & Poor's regards DVB's capital strength as modest owing to its concentration risk in volatile and higher risk transport sectors, its modest first line of defense from operating earnings, the amount of goodwill, and dated hybrids. DVB's 2005 switch to IFRS accounting standards (with 2004 IFRS restated) from German GAAP had an overall modest aggregate impact on Standard & Poor's calculation of the bank's ACE and ATE. However, substantial capital improvements had flowed in from DZ Bank's EUR105.4 million capital increase in late 2005 and DVB's retention in previous years of gains from subsidiary sales, risk-downsizing of its exit portfolio, and through goodwill depreciations under German GAAP. Consequently, DVB's ACE-to-risk assets ratio (which is the same as its ATE ratio due to the insufficient quality of hybrids) improved to 6.1% at March 31, 2006, up from 1.6% in 2001. DVB aimed to improve its regulatory Tier 1 ratio to above 7%, from 6.6% by March 31, 2006.

Based on improving earnings power, Standard & Poor's expects capitalization to gradually improve further.

Table 4

DVB Bank AG—Balance Sheet Statistics												
<i>(Mil. EUR)</i>	—Year ended Dec. 31—						Breakdown as a % of assets (adj.)					
	2006*	2005	2004	2003	2002	2001	2006*	2005	2004	2003	2002	2001
Assets												
Cash and money market instruments	56	165	549	503	523	724	0.51	1.53	5.97	5.60	5.69	6.68
Securities	192	299	660	507	812	1,104	1.76	2.77	7.18	5.64	8.84	10.19
Trading securities (marked to market)	192	84	37	N.A.	N.A.	N.A.	1.76	0.78	0.40	N.A.	N.A.	N.A.
Nontrading securities	N.A.	215	623	507	812	1,104	N.A.	2.00	6.78	5.64	8.84	10.19
Loans to banks (net)	921	761	550	1,075	920	2,039	8.44	7.06	5.98	11.97	10.01	18.81
Customer loans (gross)	9,321	9,112	7,174	6,654	6,685	6,979	85.48	84.56	78.00	74.06	72.74	64.39
Public sector/government	N.A.	N.A.	N.A.	239	368	268	N.A.	N.A.	N.A.	2.66	4.00	2.47
All other loans	9,321	9,112	7,174	6,415	6,317	6,711	85.48	84.56	78.00	71.39	68.74	61.91
Loan loss reserves	117	121	111	107	118	121	1.07	1.12	1.21	1.19	1.28	1.12
Customer loans (net)	9,204	8,991	7,063	6,547	6,567	6,858	84.41	83.44	76.79	72.86	71.46	63.27
Earning assets	10,434	10,288	8,833	8,523	8,631	10,643	95.68	95.48	96.03	94.85	93.92	98.20
Equity interests/participations (nonfinancial)	135	135	123	57	71	26	1.24	1.25	1.34	0.64	0.77	0.24
Intangibles (nonservicing)	80	80	80	80	106	133	0.73	0.74	0.87	0.88	1.15	1.23
Fixed assets	11	14	17	38	60	49	0.10	0.13	0.18	0.43	0.66	0.45
Derivatives credit amount	323	318	225	N.A.	N.A.	N.A.	2.96	2.95	2.45	N.A.	N.A.	N.A.
Accrued receivables	N.A.	N.A.	N.A.	7	5	7	N.A.	N.A.	N.A.	0.08	0.05	0.07
Tax loss carryforwards	N.A.	0	0	33	0	0	N.A.	0.00	0.00	0.37	0.00	0.00
All other assets	63	93	10	218	232	31	0.58	0.86	0.11	2.43	2.53	0.29
Total reported assets	10,985	10,856	9,278	9,065	9,296	10,972	100.73	100.74	100.87	100.88	101.15	101.23
Less nonservicing intangibles	(80)	(80)	(80)	(80)	(106)	(133)						
Adjusted assets	10,904	10,775	9,198	8,986	9,190	10,839	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
Liabilities												
Total deposits	6,718	6,418	5,425	5,889	6,951	8,128	61.16	59.12	58.47	64.96	74.77	74.08
Noncore deposits	2,900	2,932	2,698	3,781	4,855	5,418	26.40	27.01	29.08	41.71	52.23	49.38
Core/customer deposits	3,818	3,486	2,727	2,108	2,096	2,710	34.76	32.11	29.39	23.26	22.54	24.70
Other borrowings	3,347	3,472	3,295	2,646	1,933	2,406	30.47	31.99	35.51	29.19	20.80	21.93
Other liabilities	292	345	115	100	123	187	2.66	3.18	1.24	1.10	1.32	1.70
Total liabilities	10,358	10,235	8,834	8,635	9,007	10,720	94.29	94.29	95.22	95.26	96.89	97.70
Total shareholders' equity	627	620	444	430	289	252	5.71	5.71	4.78	4.74	3.11	2.30
Minority interest-equity	4	4	2	0	0	0	0.04	0.04	0.02	0.00	0.00	0.00
Common shareholders' equity (reported)	623	616	442	430	289	252	5.67	5.67	4.77	4.74	3.11	2.30
Share capital and surplus	100	100	77	77	77	77	0.91	0.92	0.83	0.85	0.83	0.70
Revaluation reserve	0	17	(1)	0	0	0	0.00	0.16	(0.01)	0.00	0.00	0.00
General banking risk reserves	0	0	0	82	8	0	0.75	0.00	0.00	0.91	0.09	0.00

Table 4

DVB Bank AG—Balance Sheet Statistics							(cont.'d)					
(Mil. EUR)	—Year ended Dec. 31—						Breakdown as a % of assets (adj.)					
	2006*	2005	2004	2003	2002	2001 - 2006*	2005	2004	2003	2002	2001	
Reserves (incl. inflation revaluations)	523	499	366	270	204	175	4.01	4.60	3.94	2.98	2.19	1.60
Total liabilities and equity	10,985	10,856	9,278	9,065	9,296	10,972	100.00	100.00	100.00	100.00	100.00	100.00
Less revaluation reserve, intangibles	(80)	(97)	(80)	(80)	(106)	(133)						
Tangible total equity	547	523	364	350	183	112						
Tangible common equity	547	523	364	350	183	112						
Less tax loss carryforwards	0	0	0	(33)	0	0						
Adjusted common equity	547	523	364	317	183	112						
Adjusted total equity	547	523	364	317	183	112						

*Data as of March 31, 2006. Ratios annualized where appropriate. *Since 2004 according to IFRS, until 2003 under German GAAP. N.A.—Not available.

Table 5

DVB Bank AG—Profit and Loss Statement Statistics							Adj. avg. assets (%)					
(Mil. EUR)	—Year ended Dec. 31—						Adj. avg. assets (%)					
	2006*	2005	2004	2003	2002	2001 - 2006*	2005	2004	2003	2002	2001	
Profitability												
Interest income	N.A.	549	424	383	449	538	N.A.	5.50	4.66	4.21	4.48	5.33
Interest expense	N.A.	447	331	294	360	458	N.A.	4.48	3.64	3.24	3.60	4.54
Net interest income	36	102	93	89	88	79	1.34	1.03	1.03	0.97	0.88	0.78
Operating noninterest income	20	81	68	106	107	112	0.75	0.81	0.75	1.17	1.07	1.11
Fees and commissions	17	61	45	88	93	98	0.63	0.61	0.50	0.97	0.93	0.97
Equity in earnings of unconsolidated subsidiaries	N.A.	20	13	1	2	3	N.A.	0.20	0.14	0.01	0.02	0.03
Trading gains	2	19	1	4	5	6	0.09	0.19	0.01	0.04	0.05	0.06
Gains/ (losses) on liquidity portfolio securities	1	0	0	0	0	1	0.05	0.00	0.00	0.00	0.00	0.01
Other market-sensitive income	(2)	(23)	(6)	N.A.	N.A.	N.A.	(0.06)	(0.23)	(0.06)	N.A.	N.A.	N.A.
Other noninterest income	1	5	14	13	7	4	0.04	0.05	0.16	0.14	0.07	0.04
Operating revenues	57	184	161	194	195	191	2.09	1.84	1.78	2.14	1.95	1.89
Noninterest expenses	26	110	94	149	166	160	0.95	1.10	1.03	1.64	1.66	1.59
Personnel expenses	N.A.	55	46	68	73	66	N.A.	0.55	0.51	0.75	0.73	0.65
Other general and administrative expense	N.A.	51	43	68	78	78	N.A.	0.51	0.47	0.74	0.78	0.77
Amortization of intangibles	N.A.	1	1	0	0	0	N.A.	0.01	0.01	0.00	0.00	0.00
Depreciation and amortization-other	N.A.	3	4	13	15	17	N.A.	0.03	0.04	0.14	0.15	0.17
Net operating income before loss provisions	N.A.	73	68	46	29	31	N.A.	0.73	0.74	0.50	0.29	0.30
Credit loss provisions (net new)	N.A.	15	26	0	20	27	N.A.	0.15	0.28	0.00	0.20	0.27
Net operating income after loss provisions	N.A.	59	42	46	9	3	N.A.	0.59	0.46	0.50	0.09	0.03
Nonrecurring/special income	N.A.	0	0	90	39	16	N.A.	0.00	0.00	1.00	0.39	0.16
General banking risk provisions	N.A.	0	0	74	8	(10)	N.A.	0.00	0.00	0.81	0.08	(0.10)
Nonrecurring/special expense	N.A.	0	0	0	6	19	N.A.	0.00	0.00	0.00	0.06	0.19
Pretax profit	N.A.	59	42	41	34	10	N.A.	0.59	0.46	0.45	0.34	0.10

Table 5

DVB Bank AG—Profit and Loss Statement Statistics							(cont. 'd)					
	—Year ended Dec. 31—						Adj. avg. assets (%)					
(Mil. EUR)	2006*	2005	2004	2003	2002	2001 - 2006*	2005	2004	2003	2002	2001	
Tax expense/credit	N.A.	2	8	(31)	2	6	N.A.	0.02	0.08	(0.34)	0.02	0.06
Net income before minority interest	N.A.	57	34	72	33	5	N.A.	0.57	0.38	0.79	0.33	0.04
Minority interest in consolidated subsidiaries	N.A.	3	1	N.A.	N.A.	N.A.	N.A.	0.03	0.01	N.A.	N.A.	N.A.
Net income before extraordinary	N.A.	54	34	72	33	5	N.A.	0.54	0.37	0.79	0.33	0.04
Net income after extraordinary	N.A.	54	34	72	33	5	N.A.	0.54	0.37	0.79	0.33	0.04
Core earnings	N.A.	54	34	N.A.	9	(5)	N.A.	0.54	0.37	N.A.	0.09	(0.05)
		2006*	2005	2004	2003	2002	2001					
Asset Quality												
Net charge-offs	N.A.	13	14	N.A.	N.A.	N.A.						
Average balance sheet												
Average customer loans	9,098	8,027	6,805	6,557	6,712	6,551						
Average earning assets	10,361	9,560	8,678	8,577	9,637	9,806						
Average assets	10,920	10,067	9,172	9,180	10,134	10,222						
Average total deposits	6,568	5,921	5,657	6,420	7,539	7,666						
Average interest-bearing liabilities	9,978	9,305	8,627	8,710	9,709	9,821						
Average common equity	619	529	436	359	270	252						
Average adjusted assets	10,840	9,987	9,092	9,088	10,014	10,090						
Other data												
Number of employees (end of period, actual)	371	371	356	361	N.A.	N.A.						
Off-balance-sheet credit equivalents	N.A.	1,755	1,317	1,264	1,530	1,679						

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

Table 6

DVB Bank AG—Ratio Analysis						
	—Year ended Dec. 31—					
	2006*	2005	2004	2003	2002	2001
ANNUAL GROWTH (%)						
Customer loans (gross)	9.17	27.02	7.81	(0.45)	(4.21)	11.77
Loss reserves	(12.57)	8.92	3.54	(9.15)	(2.40)	N.M.
Adjusted assets	4.79	17.15	2.36	(2.22)	(15.21)	16.02
Customer deposits	38.13	27.84	29.33	0.60	(22.68)	8.60
Tangible common equity	18.44	43.63	3.93	91.55	62.75	(7.96)
Total equity	4.45	39.73	3.27	48.85	14.55	0.10
Operating revenues	23.53	13.75	(17.00)	(0.42)	2.17	18.60
Noninterest expense	(6.35)	17.36	(36.95)	(10.40)	3.61	18.81
Net operating income before provisions	68.39	8.74	48.26	56.61	(5.36)	17.51
Loan loss provisions	N.A.	(41.57)	N.M.	(100.00)	(27.37)	N.M.

Table 6

DVB Bank AG—Ratio Analysis		(cont.'d)					
		—Year ended Dec. 31—					
		2006*	2005	2004	2003	2002	2001
Net operating income after provisions		N.A.	39.29	(7.75)	396.48	176.37	(87.31)
Pretax profit		N.A.	39.29	2.67	19.02	232.78	(66.50)
Net income		N.A.	65.41	(51.96)	119.85	623.14	(76.48)
		2006*	2005	2004	2003	2002	2001
PROFITABILITY (%)							
Interest Margin Analysis							
Net interest income (taxable equiv.)/avg. earning assets		N.A.	1.07	1.08	1.03	0.91	0.81
Net interest spread		N.A.	0.94	1.05	1.08	0.94	0.81
Interest income (taxable equiv.)/avg. earning assets		1.41	5.75	4.88	4.46	4.65	5.48
Interest income on loans/avg. total loans		1.47	6.17	5.15	4.65	4.90	5.76
Interest expense/avg. interest-bearing liabilities		N.A.	4.80	3.83	3.38	3.71	4.67
Revenue Analysis							
Net interest income/revenues		64.20	55.77	57.81	45.53	45.15	41.38
Fee income/revenues		30.16	32.95	27.94	45.42	47.62	51.47
Market-sensitive income/revenues		3.70	(2.02)	(2.60)	2.13	2.39	3.43
Noninterest income/revenues		35.80	44.23	42.19	54.47	54.85	58.62
Personnel expense/revenues		N.A.	30.12	28.50	35.19	37.23	34.45
Noninterest expense/revenues		45.50	60.02	58.18	76.59	85.11	83.93
Noninterest expense/revenues less investment gains		45.26	53.34	56.26	76.67	85.11	84.37
Expense less amortization of intangibles/revenues		45.50	59.26	57.56	76.59	85.11	83.93
Expense less all amortizations/revenues		45.50	57.79	55.20	70.00	77.37	75.15
Net operating income before provision/revenues		54.50	39.98	41.82	23.41	14.89	16.07
New loan loss provisions/revenues		N.A.	8.12	15.80	0.00	10.19	14.34
Net nonrecurring/abnormal income/revenues		N.A.	0.00	0.00	8.37	12.91	3.67
Pretax profit/revenues		N.A.	31.86	26.02	21.04	17.60	5.40
Net income/revenues		N.A.	30.99	21.31	36.82	16.68	2.36
Tax/pretax profit		N.A.	2.74	18.10	(75.04)	5.24	56.39
		2006*	2005	2004	2003	2002	2001
Other Returns							
Pretax profit/avg. risk assets (%)		1.38	0.69	0.55	0.55	0.43	0.13
Net income/avg. risk assets (%)		N.A.	0.67	0.45	0.97	0.41	0.06
Revenues/avg. risk assets (%)		2.52	2.15	2.12	2.63	2.47	2.45
Net operating income before loss provisions/avg. risk assets (%)		1.37	0.86	0.88	0.62	0.37	0.39
Net income before minority interest/avg. adjusted assets		0.00	0.57	0.38	0.79	0.33	0.04
Net income/employee (currency unit)		N.A.	156,319	95,822	176,365	64,880	4,791
Personnel expense/employee (currency unit)		N.A.	151,923	128,134	168,547	144,801	70,044
Cash earnings/avg. tang. common equity (ROE) (%)		N.A.	13.76	10.98	31.67	32.31	18.15
		2006*	2005	2004	2003	2002	2001
FUNDING AND LIQUIDITY (%)							
Customer deposits/funding base		37.93	35.24	31.27	24.70	23.59	25.73
Total loans/customer deposits		268.25	283.23	283.29	366.64	362.89	332.72

Table 6

DVB Bank AG—Ratio Analysis		(cont.'d)				
—Year ended Dec. 31—						
	2006*	2005	2004	2003	2002	2001
Total loans/customer deposits + long-term funds	131.43	132.32	120.61	149.09	176.13	168.88
Customer loans (net)/assets (adj.)	84.41	83.44	76.79	72.86	71.46	63.27
	2006*	2005	2004	2003	2002	2001
CAPITALIZATION (%)						
Adjusted common equity/adjusted assets	5.02	4.85	3.96	3.53	1.99	1.04
Adjusted common equity/risk assets	6.07	5.81	4.52	4.41	2.41	1.36
Adjusted common equity/customer loans (net)	5.94	5.81	5.15	4.84	2.78	1.64
Internal capital generation/prior year's equity	N.A.	12.28	7.87	24.80	12.92	1.79
Tier 1 capital ratio	6.60	6.80	6.70	6.80	5.80	5.00
Regulatory total capital ratio	10.60	10.20	10.70	11.10	10.40	9.50
Adjusted total equity/adjusted assets	5.02	4.85	3.96	3.53	1.99	1.04
Adjusted total equity/risk assets	6.07	5.81	4.52	4.41	2.41	1.36
Adjusted total equity plus LLR (specific)/customer loans (gross)	7.12	7.06	6.62	6.38	4.50	3.34
	2006*	2005	2004	2003	2002	2001
ASSET QUALITY (%)						
New loan loss provisions/avg. customer loans (net)	N.A.	0.19	0.37	N.A.	0.30	0.42
Net charge-offs/avg. customer loans (net)	N.A.	0.16	0.21	N.A.	N.A.	N.A.
Loan loss reserves/customer loans (gross)	1.26	1.33	1.55	1.61	1.77	1.73
Credit-loss reserves/risk assets	1.30	1.34	1.38	1.49	1.56	1.47
Net NPA/customer loans (net) + ORE	N.A.	(1.34)	(1.57)	(1.64)	(1.80)	(1.76)
NPA (net specifics)/customer loans (net specifics)	N.A.	(1.34)	(1.57)	(1.64)	(1.80)	(1.76)

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

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