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DVB Bank SE

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Major Rating Factors

Strengths:

- Ownership support from the German cooperative banking sector
- Solid experience and franchise in transport lending
- Sound risk management and risk appetite

Counterparty Credit Rating

A/Stable/A-1

Weaknesses:

- DVB's inferior strategic importance to the cooperative sector compared with core members
- Elevated cyclical credit and wholesale funding risks as a pure transport-finance wholesale bank
- Improving yet modest capitalization and earnings

Rationale

The ratings on Germany-based DVB Bank SE (DVB) and other rated member banks of the German cooperative banking sector are based on the sector's solidarity and comprehensive protection scheme, which has prevented insolvencies of member institutions for almost 70 years, and reflect Standard & Poor's Ratings Services view of the sector as a single economic group. The long-term rating on DVB benefits from a three-notch uplift above the bank's stand-alone strength, reflecting our expectation that the solidarity support from the German cooperative sector would be forthcoming, due to DVB's continued 95% ownership by DZ BANK AG Deutsche Zentral-Genossenschaftsbank (DZ BANK; A+/Stable/A-1) and its membership of the cooperative sector's protection scheme.

However, we continue to moderately differentiate the ratings on DVB from those on strategic core members of the sector to reflect the bank's weaker strategic importance and limited business integration into DZ BANK and the sector.

DVB's stand-alone strength reflects its solid experience and franchise as a wholesale commercial bank exclusively active in the worldwide transport sector. However, the bank's business model also makes it vulnerable to the current economic slowdown and to material exposures in the rapidly deteriorating and correlated transport markets.

We have been paying special attention to recent environmental developments, with particular concerns about the shipping markets, and their potentially negative impact on the bank. This risk is partly mitigated by the bank's sound risk and collateral management; the highly cash-flow-based collateralized nature of transactions, with reasonable loan-to-value evaluations; and diversification by objects and regions financed.

DVB substantially improved its International Financial Reporting Standards-based pretax income--excluding one-time charges and minorities--to 106 basis points (bps) of risk-weighted assets (RWAs) by year-end 2007, based on strong business growth, increased fee generation, and low cyclical credit costs because of favorable conditions in most transport segments.

An unsustainable €14 million gain on cyclical credit costs, offset by a €25 million one-time charge on its liquidity portfolio, allowed a pretax income of 90 bps of estimated Basel I RWAs by Sept. 30, 2008. Our profit expectations

for full-year 2008 are moderately below the bank's 2007 results, reflecting more selective new business growth; increased funding costs, partly passed on to customers; and higher credit costs as the European transportation sector becomes more difficult. We believe these pressures will intensify, however, so we are currently reviewing our 2009 profit expectations for DVB.

The global liquidity squeeze is a particular challenge for the access and cost of wholesale funding-oriented financial institutions like DVB. However, our concerns are partly alleviated by the stable funding DVB receives from the cooperative banking sector, its prudent liquidity management, broadened international investor base, and improved capitalization. DVB is not a systemically important commercial bank in Germany, reflecting its size, the nature of its activities, and its lack of retail deposits and operations.

Outlook

The stable outlook mirrors that on the cooperative banking sector and DVB's majority owner, DZ BANK. Key elements for the development of the ratings on DVB are the German cooperative banking sector's strategic decisions to strengthen or lessen DVB's group role and changes to the sector's aggregate strength and to the solidarity of member institutions. Moreover, we are currently reviewing our expectations about the relative robustness of DVB's stand-alone profile, given the developments in very difficult transport markets and in shipping in particular.

DVB Bank SE--Financial Statistics						
(Mil. €)	--Year ended Dec. 31--					
	3Q 2008	2007	2006	2005	2004	2003
Key data						
Adjusted assets	15,213	13,065	11,017	10,775	9,198	8,986
Risk adjusted assets (regulatory definition)	14,366	11,816	10,428	9,004	8,060	7,197
Customer loans (net)	12,812	10,685	9,660	8,991	7,063	6,547
Core/customer deposits	4,550	4,362	3,686	3,486	2,727	2,108
Adjusted common equity	881	668	587	509	364	331
Operating revenues	183	296	244	184	161	194
Noninterest expenses	108	158	129	109	93	149
Net income after extraordinary	88	109	90	54	34	72
Balance sheet composition (% of adjusted assets)						
Cash and money market instruments/assets (adjusted)	2.27	3.60	4.16	1.53	5.97	5.60
Securities/assets (adjusted)	1.78	2.20	2.21	2.77	7.18	5.64
Loans (net)/assets (adjusted)	84.22	81.78	87.68	83.44	76.79	72.86
Profit and loss composition (% of revenues)						
Net interest income/revenues	76.38	58.24	59.69	55.77	57.81	45.53
Fee income/revenues	36.36	28.65	27.94	32.95	27.94	45.42
Market-sensitive income/revenues	(17.17)	2.06	3.20	(2.02)	(2.60)	2.13
Noninterest expense/revenues	59.21	53.31	52.89	59.26	57.56	76.59
New loan loss provisions/revenues	(7.87)	6.86	9.75	8.12	15.80	10.75
Net income/revenues	48.22	36.39	36.26	30.99	21.31	36.82

Profitability (%)

Net interest income (taxable equiv.)/avg. earning assets	1.41	1.48	1.39	1.07	1.08	1.03
Noninterest expenses /assets(avg. adj.)	1.02	1.31	1.18	1.09	1.02	1.64
Net operating income before loss provisions/avg. risk assets	0.76	1.24	1.18	0.88	0.90	0.62
Net operating income after loss provisions/avg. risk assets	0.90	1.06	0.94	0.70	0.56	0.33
Net income/avg. risk assets	0.90	0.97	0.91	0.67	0.45	0.97
Core earnings/avg. tangible common equity (ROE)	13.10	16.66	14.43	13.13	9.56	(4.31)

Funding and liquidity (%)

Customer deposits/funding base	33.29	36.42	36.30	35.24	31.27	24.70
Total loans/customer deposits	294.53	277.89	273.75	283.23	283.29	366.64
Customer loans (net)/assets (adj.)	84.22	81.78	87.68	83.44	76.79	72.86

Capitalization (%)

Adjusted common equity/adjusted assets	5.79	5.11	5.33	4.72	3.96	3.68
Adjusted common equity/customer loans (net)	6.88	6.25	6.08	5.66	5.15	5.05
Adjusted common equity/risk assets	6.13	5.65	5.63	5.65	4.52	4.59
Adjusted total equity/risk assets	6.13	5.65	5.63	5.65	4.52	4.59

Asset quality (%)

New loan loss provisions/avg. customer loans (net)	(0.16)	0.20	0.26	0.19	0.37	0.32
Net charge-offs/avg. customer loans (net)	N/A	0.31	0.15	0.16	0.21	N/A
Loan loss reserves/customer loans (gross)	0.60	1.05	1.27	1.33	1.55	1.61
NPA (excl. delinquencies)/customer loans + ORE	0.00	0.60	1.43	0.00	0.00	0.00
Net NPA/customer loans (net) + ORE	(0.61)	(0.45)	0.16	(1.34)	(1.57)	(1.64)
Loan loss reserves/NPA (gross)	N/M	173.89	88.65	N/M	N/M	N/M

N/A--Not applicable. N/M--Not meaningful.

Ratings Detail (As Of December 10, 2008)***DVB Bank SE**

Counterparty Credit Rating	A/Stable/A-1
Certificate Of Deposit	A/A-1
Commercial Paper	
<i>Local Currency</i>	A-1
Senior Unsecured (6 Issues)	A
Short-Term Debt (1 Issue)	A-1
Subordinated (2 Issues)	A-

Counterparty Credit Ratings History

12-Dec-2006	A/Stable/A-1
23-Aug-2006	A-/Positive/A-2
29-Jul-2005	A-/Stable/A-2
24-Aug-2004	BBB+/Stable/A-2

Sovereign Rating

Germany (Federal Republic of)	AAA/Stable/A-1+
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*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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