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**Research Update:**

# DVB Bank SE 'A/A-1' Affirmed On Sector Solidarity And Stand-Alone Strength; Outlook Stable

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## Table Of Contents

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Rationale

Outlook

Ratings List

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## Rationale

On Oct. 22, 2008, Standard & Poor's Ratings Services affirmed its 'A' long-term and 'A-1' short-term counterparty credit ratings on Germany-based DVB Bank SE (DVB). The outlook is stable.

The ratings affirmation and stable outlook reflect our expectation that--if necessary--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. These factors continue to grant DVB a three-notch uplift above its stand-alone strength. 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.

The ratings affirmation also reflects DVB's relatively resilient stand-alone strength from its solid experience and franchise as a wholesale commercial bank exclusively active in the worldwide transport sector. This exposes DVB to higher business risk from deteriorating global credit environments and its concentration in highly cyclical and correlating transport markets. However, we expect its asset quality to remain relatively robust, based on its sound risk and collateral management 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. A 19 bps gain on credit costs boosted its pretax income to an unsustainable 119 bps of RWAs by mid-2008. For full-year 2008, we expect a more gradual uplift from the 2007 results, reflecting more selective new business growth; increased funding costs, partly passed onto customers; and higher credit costs as the European transportation sector becomes more difficult.

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 mitigated by the stable funding DVB receives from the cooperative sector, its prudent liquidity management, broadened international investor base, and improved capitalization.

## Outlook

The stable outlook mirrors that on the cooperative sector and DVB's majority owner, DZ BANK. 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, changes to the sector's aggregate strength and solidarity of member institutions, and the relative robustness of DVB's stand-alone profile against increasingly difficult markets.

## Ratings List

### Ratings Affirmed

#### DVB Bank SE

Counterparty credit ratings	A/Stable/A-1
Senior unsecured debt	A
Subordinated debt	A-
Commercial paper	A-1
Certificate of deposit	A/A-1

#### Additional Contact:

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