



Quarterly Statement –
Nine-Month Results

2016



DVB Bank – Despite robust and valuable new business origination in the Bank's Transport Finance divisions, significant allowance for credit losses in legacy exposures in Shipping Finance and Offshore Finance have led to a loss of €27.3 million as at 30 September 2016

DVB posted a **consolidated net loss before taxes** of €27.3 million in the first nine months of 2016 (previous year: net income of €92.2 million). ¹

Underscoring the continued focus on its core international transportation markets, DVB closed a total of 102 transactions generating €4.2 billion in **robust and valuable new business volume** (previous year: 137 transactions with a volume of €5.0 billion). **Net interest income rose** to €168.4 million (previous year: €151.6 million). New business in Aviation Finance and Land Transport Finance continued to develop successfully. In the persistently difficult segments of the shipping industry, the Bank continues to be available to current clients, and selected new clients – given reduced opportunities to originate new business, however, on a lower level. The Bank maintained its **successful path in the fee and advisory businesses**, increasing net fee and commission income by 3.8% to €79.8 million (previous year: €76.9 million). Moreover, DVB managed to keep **general administrative expenses** of €134.3 million stable in line with the previous year (€133.7 million) – in spite of continued high expenses incurred from regulatory-driven projects.

Results were burdened by two factors:

On the one hand, **allowance for credit losses** rose to €156.9 million (previous year: €62.7 million) and was largely required for legacy exposures in the Shipping Finance portfolio and for financings in the Offshore Finance portfolio. Both have

been suffering from the severe and prolonged crisis in their respective markets.

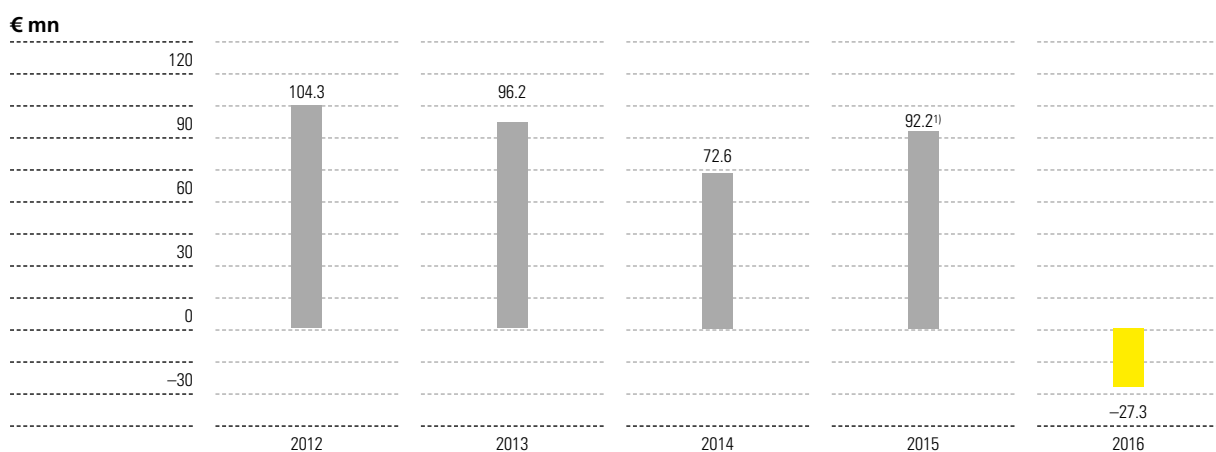
The material market developments can be summarised as follows:

- There is ongoing and high **tonnage overcapacity** in numerous international shipping segments. In the recent past, governmental policies and speculative exuberance have led to a high number of newbuild orders especially at Chinese and Korean shipyards.
- Due to the influx of this new tonnage, **charter rates** have continued to decline: Offshore shipping charter rates have been under pressure since 2015 and in the first half of 2016, bulk carriers witnessed the lowest earnings since the shipping crises in the eighties. Container vessel charter rates have also been negatively affected during the last quarter due to this structural oversupply. **Vessel values** have developed correspondingly.
- These market distortions, which prevailed into the third quarter of 2016, heavily burdened the **liquidity cushions of shipping clients**, with increasing effects upon the banks involved.
- The **geopolitical developments in the Eastern Mediterranean** imposed an additional burden for specific shipping markets during the third quarter of 2016.

DVB responded to these developments by recognising additional allowance for credit losses during the third quarter of 2016.

On the other hand, **net income from financial instruments in accordance with IAS 39** amounted to €13.8 million (previous year: €76.3 million) due to the non-recurrent nature of a substantial income in the previous year, which was generated in the Bank's Aviation Investment Management activities.

¹ Consolidated net income before tax, as at 30 September



1) The correction of errors pursuant to IAS 8.41 results in an adjustment of the previous year's figure.

The individual items of the interim financial statements developed as follows:

Net interest income increased by 11.1%, from €151.6 million to €168.4 million, mainly driven by robust and valuable new business. **Allowance for credit losses** amounted to €156.9 million (previous year: €62.7 million). Specifically, new allowance recognised for credit losses totalled €276.1 million, €234.1 million of which in Shipping Finance and Offshore Finance. Conversely, allowance for credit losses of €117.6 million was reversed, of which €98.4 million in Shipping Finance and Offshore Finance.

Net interest income after allowance for credit losses amounted to €11.5 million (previous year: €88.9 million). **Total allowance for credit losses** (comprising specific allowance for credit losses, portfolio-based allowances for credit losses, and provisions) rose to €406.0 million, up 39.1% from year-end 2015 (€291.8 million).

Net fee and commission income, which primarily includes fees and commissions from new Transport Finance business, asset management fees, and fees generated from Corporate Finance advisory mandates, was up 3.8%, from €76.9 million to €79.8 million.

Results from investments accounted for using the equity method increased from €3.8 million to €6.4 million.

Net other operating income/expenses amounted to €6.6 million (previous year: €-5.1 million), driven mainly by income from the deconsolidation of subsidiaries.

General administrative expenses rose by 0.4%, to €134.3 million (previous year: €133.7 million). Staff expenses increased by 5.6%, to €82.9 million (previous year: €78.5 million). During the period under review, the number of active employees grew by 22 to 616. Non-staff expenses (including depreciation, amortisation and write-downs) declined by 6.9%, from €55.2 million to €51.4 million.

Net income from financial instruments in accordance with IAS 39 (comprising the trading result, the hedge result, the result from derivatives entered into without intention to trade, and the result from investment securities), which is generally volatile, amounted to €13.8 million (previous year: €76.3 million). The previous year's figure included substantial non-recurring income from the sale of investment securities, due to the partial disposal of the stake in Wizz Air Holdings Plc. This one-off effect generated in the Bank's Aviation Investment Management activities, was not repeated during the same reporting period in 2016.

Consolidated net income/loss before bank levy, BVR Deposit Guarantee Scheme, and taxes totalled €-16.2 million (previous year: €107.1 million). Estimated bank levy charges of €6.3 million (2015: €3.3 million in bank levy actually paid) as well as €4.8 million in expenses for the Deposit Guarantee Scheme of the National Association of German Cooperative Banks (BVR; 2015: €4.6 million in expenses for the BVR Deposit Guarantee Scheme) needed to be deducted from this figure already at the beginning of the year.

Consolidated net income/loss before taxes decreased from €92.2 million to €-27.3 million, whilst **consolidated net income/loss** (after taxes) amounted to €-23.6 million (previous year: €83.7 million).

DVB's **total assets** decreased to €26.0 billion as at 30 September 2016, down 2.3% from the 2015 year-end (31 December 2015: €26.6 billion).

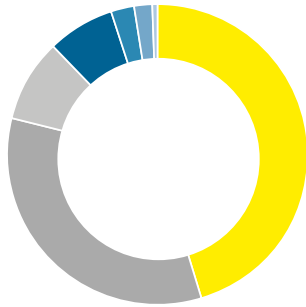
DVB's **nominal volume of customer lending** (the aggregate of loans and advances to customers, guarantees and indemnities, irrevocable loan commitments, and derivatives) declined by 4.3% to €24.2 billion. In US dollar terms, it was down slightly, by 1.5%, to US\$27.1 billion. ¹

¹ Development of customer lending volume

	€ bn			US\$ bn		
	30 Sep 2016	31 Dec 2015	%	30 Sep 2016	31 Dec 2015	%
Shipping Finance	11.0	11.8	-6.8	12.3	12.8	-3.9
Aviation Finance	8.1	7.7	5.2	9.0	8.3	8.4
Offshore Finance	2.2	2.4	-8.3	2.5	2.7	-7.4
Land Transport Finance	1.7	1.7	-	1.9	1.8	5.6
ITF Suisse	0.6	1.0	-40.0	0.7	1.1	-36.4
Investment Management	0.5	0.5	-	0.6	0.6	-
Business no longer in line with DVB's strategy	0.1	0.2	-50.0	0.1	0.2	-50.0
Total	24.2	25.3	-4.3	27.1	27.5	-1.5

The chart illustrates the breakdown of customer lending volume (in euro terms) across the Bank's business divisions. ①

① **Distribution of customer lending volume by business division, as at 30 September 2016**



Shipping Finance	45.4%	(-1.2 pp)
Aviation Finance	33.5%	(+3.1 pp)
Offshore Finance	9.1%	(-0.4 pp)
Land Transport Finance	7.0%	(+0.3 pp)
ITF Suisse	2.5%	(-1.5 pp)
Investment Management	2.1%	(+0.1 pp)
Business no longer in line with the Bank's strategy	0.4%	(-0.4 pp)

The two main drivers mentioned at the beginning (increased allowance for credit losses and non-recurring effects in the result from investment securities) also affected the **key financial indicators** in the third quarter of 2016. These developed as follows:

Return on equity (before taxes) stood at -4.5% (previous year: 5.9%). The **cost/income ratio** was up by 1.5 percentage points, to 56.1% (previous year: 54.6%). Risk-adjusted **Economic Value Added**, which also includes operating net income from investment securities, amounted to €-122.5 million (previous year: €-16.0 million).

DVB discloses **capital ratios** determined in accordance with the Basel III framework (Advanced Approach). On this basis, DVB's common equity tier 1 ratio as at 30 September 2016 was 12.1% (31 December 2015: 16.3%), whilst the total capital ratio amounted to 17.5% (31 December 2015: 22.4%).

Frankfurt/Main, November 2016

THE BOARD OF MANAGING DIRECTORS

€ mn	01 Jan 2016– 30 Sep 2016	01 Jan 2015– 30 Sep 2015	%
Net interest income	168.4	151.6	11.1
Allowance for credit losses	-156.9	-62.7	-
Net interest income after allowance for credit losses	11.5	88.9	-87.1
Net fee and commission income	79.8	76.9	3.8
Results from investments in companies accounted for using the equity method	6.4	3.8	68.4
General administrative expenses ¹⁾	-134.3	-133.7	0.4
Net other operating income/expenses ¹⁾	6.6	-5.1	-
Consolidated net income/loss before IAS 39, bank levy, BVR²⁾ Deposit Guarantee Scheme, and taxes¹⁾	-30.0	30.8	-
Net result from financial instruments in accordance with IAS 39 ¹⁾	13.8	76.3	-81.9
Consolidated net income/loss before bank levy, BVR²⁾ Deposit Guarantee Scheme, and taxes¹⁾	-16.2	107.1	-
Expenses for the bank levy and the BVR ²⁾ Deposit Guarantee Scheme	-11.1	-14.9	-25.5
Consolidated net income/loss before taxes¹⁾	-27.3	92.2	-
Income taxes	3.7	-8.5	-
Consolidated net income/loss¹⁾	-23.6	83.7	-
thereof: consolidated net income attributable to non-controlling interests	0.3	0.0	-
thereof: consolidated net income attributable to shareholders of DVB Bank SE ¹⁾	-23.9	83.7	-

Earnings per share (€)	01 Jan 2016– 30 Sep 2016	01 Jan 2015– 30 Sep 2015	%
Basic earnings per share ¹⁾	-0.53	1.83	-
Diluted earnings per share ¹⁾	-0.53	1.83	-

Key financial indicators (%)	01 Jan 2016– 30 Sep 2016	01 Jan 2015– 30 Sep 2015	pp
Cost/income ratio ¹⁾	56.1	54.6	1.5
Return on equity (before taxes) ¹⁾	-4.5	5.9	-10.4
Economic Value Added (€ million) ¹⁾	-122.5	-16.0	-

1) The correction of errors pursuant to IAS 8.41 results in an adjustment of the previous year's figure.

2) National Association of German Cooperative Banks

Assets (€ mn)	30 Sep 2016	31 Dec 2015	%
Cash and balances with the central bank	1,606.0	1,164.1	38.0
Loans and advances to banks	887.5	1,116.8	-20.5
Loans and advances to customers	22,254.1	22,975.5	-3.1
Allowance for credit losses	-403.6	-289.0	39.7
Positive fair values of derivative hedging instruments	330.1	321.3	2.7
Trading assets	123.1	95.0	29.6
Investment securities	288.8	349.8	-17.4
Investments in companies accounted for using the equity method	271.1	228.3	18.7
Intangible assets	101.6	101.4	0.2
Property and equipment	332.4	373.1	-10.9
Income tax assets	103.9	96.4	7.8
Other assets	56.1	56.9	-
Non-current assets held for sale	-	20.9	-
Total	25,951.1	26,610.5	-2.5

Liabilities and equity (€ mn)	30 Sep 2016	31 Dec 2015	%
Deposits from other banks	2,690.2	2,457.0	9.5
Deposits from customers	7,944.4	7,510.8	5.8
Securitised liabilities	12,096.2	13,141.9	-8.0
Negative fair values of derivative hedging instruments	115.7	169.4	-31.7
Trading liabilities	731.1	975.5	-25.1
Provisions	60.4	60.9	-0.8
Income tax liabilities	50.8	53.3	-4.7
Other liabilities	82.2	69.5	18.3
Subordinated liabilities	788.1	742.7	6.1
Equity	1,392.0	1,429.5	-2.6
Issued share capital	115.8	116.7	-0.8
Capital reserve	314.4	321.3	-2.1
Retained earnings	974.0	975.5	-0.2
thereof: fund for general banking risks	82.4	82.4	-
Revaluation reserve	6.2	6.2	-
Reserve from cash flow hedges	-3.1	-6.7	-53.7
Reserve from net investment hedges	-17.2	-24.5	-29.8
Currency translation reserve	22.4	26.9	-16.7
Distributable profit	-23.9	13.9	-
Non-controlling interests	3.4	0.2	-
Total	25,951.1	26,610.5	-2.5

Customer lending volume (€ bn)	30 Sep 2016	31 Dec 2015	%
Nominal customer lending volume	24.2	25.3	-4.3

Capital ratios – Basel III (%)	30 Sep 2016	31 Dec 2015	pp
Common equity tier 1 ratio	12.1	16.3	-4.2
Additional tier 1 ratio	12.1	16.3	-4.2
Total capital ratio	17.5	22.4	-4.9

Imprint

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