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QUARTERLY STATEMENT –  
THREE-MONTH RESULTS 2017



# KEY EVENTS AND TRANSACTIONS

DVB Bank Group posts results for the first quarter of 2017

- ✓ Positive development of operating income
- ✓ Allowance for credit losses remains on an elevated level
- ✓ Volatile effects from the IAS 39 result

DVB Bank Group (DVB) reported a **consolidated net loss before taxes** of €83.8 million in the first quarter of 2017 (previous year: net income of €25.9 million). This was heavily influenced by a negative net result from financial instruments in accordance with IAS 39 (€–61.3 million). Furthermore, reflecting market developments, additional allowance for credit losses was recognised in the amount of €65.9 million.

On a positive note, income generated by the Bank's operating activities continued to show a stable development. Specifically, net interest income (before allowance for credit losses) was up 4.7%, to €60.5 million, net fee and commission income rose 20.0%, to €32.4 million, and net other operating income/expenses improved from €4.4 million, to €10.0 million. In particular, DVB originated 36 new international transport finance

transactions, with an aggregate volume of €1.0 billion (previous year: 27 new financings with a total volume of €1.2 billion).

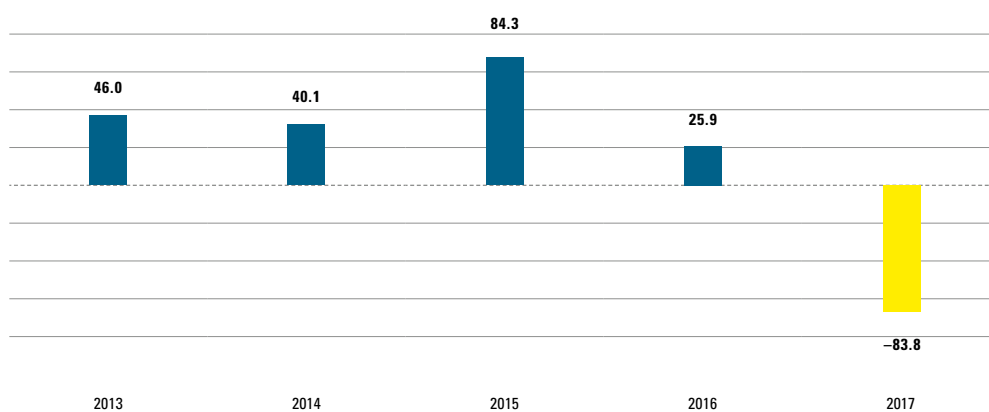
Due to the persistent structural excess tonnage capacity, the continued deterioration in vessel values and charter rates (especially in container shipping), and the challenging environment for the offshore industry – caused by low oil prices – allowance for credit losses required predominantly for legacy exposures in the Shipping Finance portfolio, and for financings in the Offshore Finance portfolio, rose by €29.6 million to €65.9 million (previous year: €36.3 million).

As mentioned, the net result from financial instruments in accordance with IAS 39 amounted to €–61.3 million (previous year: €27.9 million); this was largely driven by the measurement of cross-currency swaps, which the Bank is not allowed to include in its hedge accounting. Based on prudent economic risk management, these derivatives form hedging relationships with the related hedged items, whereby measurement gains and losses reported on a particular record date are neutralised over the entire term of the financings extended. [CHART 01](#)

Consolidated net income/loss before taxes, as at 31 March

C 01

€ mn



The detailed items of the interim financial statements are as follows:

**Net interest income** increased by 4.7%, from €57.8 million to €60.5 million. **Allowance for credit losses** amounted to €65.9 million (previous year: €36.3 million). New allowance recognised for credit losses totalled €103.0 million, €98.9 million of which in Shipping Finance and Offshore Finance. Conversely, allowance for credit losses of €36.9 million was reversed, of which €32.8 million in Shipping Finance and Offshore Finance.

**Net interest income after allowance for credit losses** amounted to €–5.4 million (previous year: €21.5 million).

**Total allowance for credit losses** (comprising specific allowance for credit losses, portfolio-based allowances for credit losses, and provisions) rose to €679.1 million, up 7.3% from year-end 2016 (€633.1 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 20.0%, from €27.0 million to €32.4 million.

**Results from investments accounted for using the equity method** stood at €–0.6 million (previous year: €–0.2 million).

**Net other operating income/expenses** amounted to €10.0 million (previous year: €4.4 million), largely due to two non-recurring effects.

Moreover, DVB managed to keep **general administrative expenses** of €47.0 million stable and in line with the previous year (€46.2 million) – in spite of continued high expenses incurred from regulatory-driven projects. Staff expenses increased by 5.1%, to €28.8 million

(previous year: €27.4 million), whilst non-staff expenses (including depreciation, amortisation and write-downs) were down 3.2%, from €18.8 million to €18.2 million.

**Net result 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) amounted to €–61.3 million (previous year: €27.9 million).

**Consolidated net income/loss before bank levy, BVR Deposit Guarantee Scheme, and taxes** totalled €–71.9 million (previous year: €34.4 million). Estimated bank levy charges of €7.5 million for 2017 (2016: actual bank levy of €6.4 million) as well as €4.4 million in expenses for the Deposit Guarantee Scheme of the National Association of German Cooperative Banks (2016: actual expenses of €4.7 million) needed to be deducted from consolidated net income/loss before taxes already at the beginning of the year.

**Consolidated net income/loss before taxes** declined from €25.9 million to €–83.8 million, whilst **consolidated net income/loss** (after taxes) amounted to €–72.9 million (previous year: €19.2 million).

DVB's **total assets** increased to €27.8 billion as at 31 March 2017, up 0.4% from the 2016 year-end (31 December 2016: €27.7 billion).

DVB's **nominal volume of customer lending** (the aggregate of loans and advances to customers, guarantees and indemnities, contingent liabilities from irrevocable loan commitments, and derivatives) declined by 3.9% to €24.9 billion. In US dollar terms, it was down by 2.6%, to US\$26.6 billion. [TABLE 01](#)

## Development of customer lending volume

T 01

	€ bn			US\$ bn		
	31 Mar 2017	31 Dec 2016	%	31 Mar 2017	31 Dec 2016	%
Shipping Finance	11.7	11.9	–1.7	12.5	12.6	–0.8
Aviation Finance	8.1	8.7	–6.9	8.7	9.1	–4.4
Offshore Finance	2.3	2.4	–4.2	2.5	2.5	–
Land Transport Finance	1.7	1.6	6.3	1.8	1.7	5.9
Investment Management	0.6	0.6	–	0.6	0.6	–
ITF Suisse	0.4	0.6	–33.3	0.4	0.6	–33.3
Business no longer in line with DVB's strategy	0.1	0.1	–	0.1	0.2	–55.0
<b>Total</b>	<b>24.9</b>	<b>25.9</b>	<b>–3.9</b>	<b>26.6</b>	<b>27.3</b>	<b>–2.6</b>

The following chart illustrates the breakdown of customer lending (in euro terms) across the Bank's business divisions. [CHART 02](#)

**Key financial indicators** developed as follows:

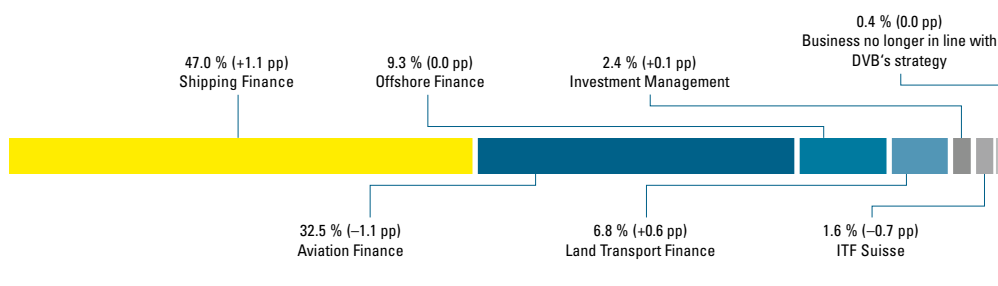
**Return on equity** (before taxes) decreased to –5.4% (previous year: 1.3%). The Bank managed to lower its **cost/income ratio** by 4.2 percentage points, to 50.1% (previous year: 54.3%). Risk-adjusted **Economic Value Added** amounted to €–48.1 million (previous year: €–21.2 million).

DVB discloses **capital ratios** determined in accordance with Basel III (Advanced Approach). On this basis, DVB's common equity tier 1 ratio as at 31 March 2017 was 11.3% (31 December 2016: 13.2%), whilst the total capital ratio amounted to 18.8% (31 December 2016: 20.7%).

Frankfurt/Main, May 2017  
 THE BOARD OF MANAGING DIRECTORS

Customer lending by business division, as at 31 March 2017

C 02



## Condensed income statement

T 02

€ mn	1 Jan 2017– 31 Mar 2017	1 Jan 2016– 31 Mar 2016	%
Net interest income	60.5	57.8	4.7
Allowance for credit losses	–65.9	–36.3	81.5
Net interest income after allowance for credit losses	–5.4	21.5	–
Net fee and commission income	32.4	27.0	20.0
Results from investments in companies accounted for using the equity method	–0.6	–0.2	–
General administrative expenses	–47.0	–46.2	1.7
Net other operating income/expenses	10.0	4.4	–
<b>Consolidated net income/loss before IAS 39, bank levy, BVR<sup>1</sup> Deposit Guarantee Scheme and taxes</b>	<b>–10.6</b>	<b>6.5</b>	<b>–</b>
Net result from financial instruments in accordance with IAS 39	–61.3	27.9	–
<b>Consolidated net income/loss before bank levy, BVR<sup>1</sup> Deposit Guarantee Scheme and taxes</b>	<b>–71.9</b>	<b>34.4</b>	<b>–</b>
Expenses for the bank levy and the BVR <sup>1</sup> Deposit Guarantee Scheme	–11.9	–8.5	–40.0
<b>Consolidated net income/loss before taxes</b>	<b>–83.8</b>	<b>25.9</b>	<b>–</b>
Income taxes	10.9	–6.7	–
<b>Consolidated net income/loss</b>	<b>–72.9</b>	<b>19.2</b>	<b>–</b>
thereof: consolidated net income/loss attributable to non-controlling interests	0.1	0.0	–
thereof: consolidated net income/loss attributable to shareholders of DVB Bank SE	–73.0	19.2	–

<sup>1</sup> National Association of German Cooperative Banks

## Earnings per share

T 03

€	1 Jan 2017– 31 Mar 2017	1 Jan 2016– 31 Mar 2016	%
Basic earnings per share	–1.6	0.4	–
Diluted earnings per share	–1.6	0.4	–

## Key financial indicators

T 04

%	1 Jan 2017– 31 Mar 2017	1 Jan 2016– 31 Mar 2016	pp
Cost/income ratio	50.1	54.3	–4.2
Return on equity before taxes	–5.4	1.3	–6.7
Economic Value Added (€ mn)	–48.1	–21.2	–

## Statement of financial position

T 05

Assets (€ mn)	31 Mar 2017	31 Dec 2016	%
Cash and balances with the central bank	2,643.2	1,475.4	79.2
Loans and advances to banks	1,268.5	1,610.4	-21.2
Loans and advances to customers	23,217.3	23,686.7	-2.0
Allowance for credit losses	-678.7	-632.7	-
Positive fair values of derivative hedging instruments	274.1	302.1	-9.3
Trading assets	37.8	113.0	-66.5
Investment securities	245.9	288.8	-14.9
Investments in companies accounted for using the equity method	298.1	285.1	4.6
Intangible assets	64.7	67.8	-4.6
Property and equipment	214.6	337.5	-36.4
Income tax assets	120.6	110.4	9.2
Other assets	110.1	42.6	-
Non-current assets held for sale	10.0	26.2	-61.8
<b>Total</b>	<b>27,826.2</b>	<b>27,713.3</b>	<b>0.4</b>

Liabilities (€ mn)	31 Mar 2017	31 Dec 2016	%
Deposits from other banks	3,128.5	3,273.6	-4.4
Deposits from customers	7,783.4	7,839.6	-0.7
Securitised liabilities	13,246.5	12,722.3	4.1
Negative fair values of derivative hedging instruments	126.4	133.2	-5.1
Trading liabilities	1,166.6	1,306.5	-10.7
Provisions	75.2	59.1	27.2
Income tax liabilities	57.8	57.8	-
Other liabilities	140.0	69.1	-
Non-current liabilities held for sale	29.6	25.2	17.5
Subordinated liabilities	864.6	951.2	-9.1
Equity	1,207.6	1,275.7	-5.3
Issued share capital	115.6	115.6	-
Capital reserve	312.7	312.7	-
Retained earnings	835.5	835.9	0.0
thereof: fund for general banking risks	0.0	0.0	-
Revaluation reserve	7.5	6.8	10.3
Reserve from cash flow hedges	-6.1	-10.7	-43.0
Reserve from net investment hedges	-26.9	-25.2	6.7
Currency translation reserve	38.8	37.1	4.6
Distributable profit	-73.0	0.0	-
Non-controlling interests	3.5	3.5	-
<b>Total</b>	<b>27,826.2</b>	<b>27,713.3</b>	<b>0.4</b>

## Customer lending volume

T 06

€ bn	31 Mar 2017	31 Dec 2016	%
Nominal customer lending volume	24.9	25.9	-3.9

## Capital ratios – Basel III

T 07

%	31 Mar 2017	31 Dec 2016	pp
Common equity tier 1 ratio	11.3	13.2	-1.9
Additional tier 1 ratio	11.3	13.2	-1.9
Total capital ratio	18.8	20.7	-1.9

# IMPRINT

## DVB Bank SE

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## Design and realisation

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The Quarterly Statement – Three-Month Results 2017 is published in English and German. It is available as a PDF file on our webpage [www.dvbbank.com](http://www.dvbbank.com) > Investors > Publications > Financial reports.

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