

A N N U A L R E P O R T



Looking back on a successful year

THE YEAR IN REVIEW

THIRTEENTH INTERNATIONAL AIRCRAFT FINANCE CONFERENCE, GENÈVE

26 February: More than 300 participants from all over the world took part in the most important event for aircraft financiers in Europe. VerkehrsBank, one of the sponsors, was involved in organising it, and gave a number of public presentations in the form of expert talks.



SECOND INTERNATIONAL TRANSPORT CONFERENCE

19 March: "Moving the world in the 21st century" was the theme of this conference in Frankfurt am Main, at which – with the support of VerkehrsBank – intensive discussions took place on the subject of European transport policy.

INTERNATIONALISATION OF VERKEHRSBANK

The international profile which VerkehrsBank now enjoys can be seen in our customer receptions, with visitors from all over the world. We celebrated the opening of our branch in London on 25 March and of our ITFL representation in New York on 13 April.

PRESS CONFERENCE PRESENTED ANNUAL RESULTS

On 27 May VerkehrsBank was pleased to welcome all participants to its press conference, where the Board of Managing Directors were available to answer questions from journalists.

ANNUAL GENERAL MEETING

On 24 June the Annual General Meeting of VerkehrsBank was held in the CongressCenter at the Frankfurt Fair & Exhibition Halls. Some 93 % of share capital was represented and votes were carried by majorities of between 99.98 % and 100 %.

STRATEGY DAYS FOR SPARDA BANKS

On 8 and 9 September VerkehrsBank held its fourth session of strategy days for management boards from Sparda (savings and loans) banks and representatives of the co-operative FinanzVerbund.



EXPANDING INTERNET PRESENTATION

Since mid September VerkehrsBank has had a new Internet site. You can find information in both German and English on www.verkehrs-bank.de.

SECOND "VERKEHRSSINSEL" IN BERLIN

On 16. September around a hundred guests from the worlds of transport, politics, science and the media came together at the Museum of Technology and Transport in Berlin to discuss the future of rail freight in Europe.

RATING PRESENTATION

On 26 October VerkehrsBank made a presentation to Standard & Poor's, the international rating agency. The result: A- for long term, A-2 for short term, outlook stable.

TRADERS EVE

On 25 November TraderS Eve had its premiere – an event for all our customers in foreign notes/coins and bullion trading.

VERKEHRSBANK TAKES OVER NEDSHIP BANK

On 20 December the Board of Managing Directors of VerkehrsBank and Rabobank (previous sole owner of Nedship Bank nv) signed the sale agreement in Utrecht. Take-over is planned for the second quarter of 2000.



Deutsche VerkehrsBank Group (from 1998)

in Mio Euro	1999	1998	1997	1996	1995
Business volume	8,041	7,577	6,164	5,382	5,529
Balance-sheet total	6,875	6,565	5,331	4,689	4,743
Customer receivables	3,370	2,434	1,507	1,496	1,384
Payables due to customers	1,750	1,869	1,377	1,293	1,631
Liabilities in certificate form	688	770	285	254	107
Interest surplus	47.4	36.9	33.6	32.2*	39.9
Commission surplus	72.9	59.5	52.8	51.7	52.6
Net earnings from financing activities	11.0	13.1	12.6	5.2	9.7
Administrative costs (including depreciation)	105.0	91.3	84.4	82.4	84.4
Net risk provision	7.0	8.3	39.9	12.1	19.5
Operating result before risk provision	29.6	17.1	14.0	12.5	12.7
Surplus for the year (after tax)	15.5	5.0	0	3.7	4.6
Dividend in Euro	3.60	2.56	8.44**	2.05	2.05
Return on equity (before tax)	13.4 %	3.8 %	– 4.6 %	4.3 %	2.7 %
Cost-income ratio (adjusted for special effects)	77.9 %	85.0 %	85.7 %	86.5 %	86.9 %
Overall capital quota	8.6 %	8.8 %	9.3 %	11.0 %	9.4 %
Liable capital	341.8	300.5	206.0	209.9	185.3
Moody's Investment Service rating, long/short term	A3/P-2	–	–	–	–
Standard & Poor's rating, long/short term	A-/A-2 Outlook stable	–	–	–	–

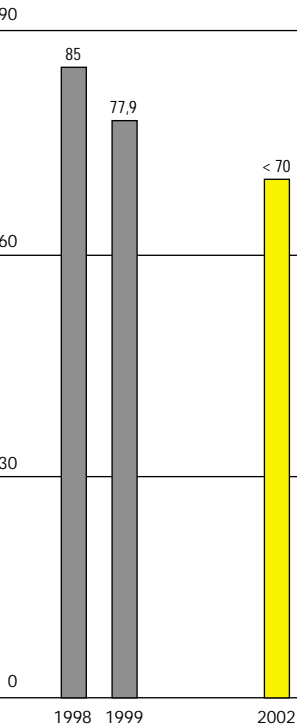
* End of price-nursing business for Deutsche Bahn bonds

** Special distribution

Our key measurements for monitoring the progress of our business activities consist principally of cost-income ratio and return on equity.

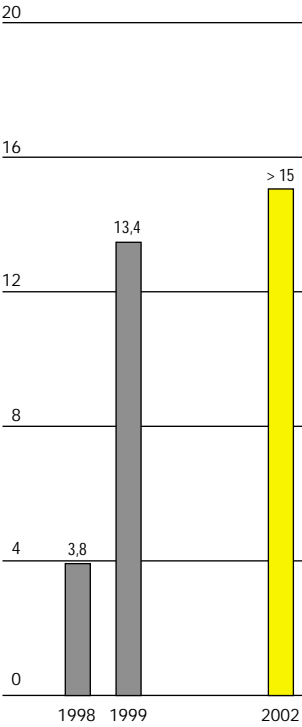
Cost-income ratio is defined as the ratio of administrative costs, including depreciation of fixed assets, to the total formed by: surplus from interest and commission, balance of miscellaneous operating income and expenditure, and net earnings from finance activities. It shows the costs which earnings have accrued in the course of their realisation. It is our intention in the medium term to reduce the cost-income ratio to below 70 %.

Cost-Income-Ratio
in %



We also intend to improve our *return on equity* step by step: here our medium-term target is above 15 %. This measurement is used to relate the annual surplus before income taxes to the average capital base. Thus it shows how much interest employed capital has earned.

Return on Equity
in %



The Annual Report for 1999 is published in German and English.

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SETTING THE PACE

VerkehrsBank, with a Group balance-sheet totalling Euro 6.9 billion, is part of the co-operative FinanzVerbund, its majority shareholder. As a centre of competence for transport finance, we are already one of the leading aircraft financiers in Europe. The shipping sector is being considerably expanded in the current year: by acquiring Nedship Bank nv, a specialist in international shipping finance, we shall become an international market leader in this field, too. Meanwhile in the land transport we are focussing on finance for rolling stock and on consultancy activities for transport-infrastructure projects, on medium to long-term finance for transport and logistics projects, on finance and collection of transport costs for freight transport, and on system solutions for cashless payments in public passenger transport. We have an international presence to support our customers.

VerkehrsBank is the central bank for Sparda banks, focussing on securities business, payment transactions and derivatives. We are the market leader in Germany for trading foreign notes and coins and one of the leaders for bullion trading. ReiseBank and CashExpress, our subsidiaries, are the market leaders nationally for all travellers' payment needs.

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*Strategic
positioning leads
VerkehrsBank
to large profit
increase.*

To all our shareholders

Over the past year we have taken another major step forward. Our vision of being the market leader by quality in international transport finance is increasingly becoming a reality. On 20 December 1999 we signed the agreement to purchase Nedship Bank nv, with head office in Rotterdam. The second quarter of 2000 will see VerkehrsBank taking over this successful specialist in shipping finance, which combi-

demands on our staff, and we shall continue to do so. We should like to thank them all for their very hard work.

The acquisition of Nedship Bank has been the highlight of a successful 1999. We have also achieved our financial targets. The Group surplus for the year has risen by 212.3 % to Euro 15.5 million. The next step will follow as announced. The Annual General



From left to right: Wolfgang F. Driese, Anne-Rose Heibel-Dietrich, Klaus W. Heinemann

nes a century of experience and worldwide customer contacts with expert knowledge. This acquisition means that we can decisively expand our market position as a shipping financier. The VerkehrsBank Group is now one of the leading international players in both aircraft and shipping finance. VerkehrsBank and Nedship Bank will be represented jointly in all the major transport centres in the world. In this way the internationalisation of VerkehrsBank has consistently reflected the international orientation of the transportation branches. We have made considerable

Meeting will be asked to raise the dividend from Euro 2.56 to Euro 3.60. Based on the year-end price of our shares, and including creditable corporation tax, this makes a dividend return of 5.4 %. This means VerkehrsBank is an attractive investment.

The bank now has three stable foundations on which to base itself – transport finance, central banking and trading, and retail and wholesale business in foreign notes and coins –

We take the last sector to include both our own trading in foreign notes and coins and the activities of our two subsidiaries, ReiseBank AG and CashExpress GmbH. All sectors now show sustained profits.

While the 28.5 % increase interest surplus, amounting to Euro 47.4 million, is mainly due to an increase in the volume of transport finance, the rise in commissions demonstrates the broad base on which the Bank's increased earnings are founded. Profits on commission were up 22.5 % over the previous year, to stand at Euro 72.9 million. All divisions are showing profitability again: transport finance, with considerably increased income from consultancy, structuring and loans; ReiseBank across all its product range – foreign notes and coins, cash dispensers and Western Union business – and finally increased securities turnover in the Central Banking/Trading division.

Administrative costs rose by 15 % to Euro 105 million. This includes an increase in staff costs of 4.7 %. The millennium-date change, the transfer of our basic IT structure to SAP and transaction-related cost-increases in securities handling were the principal reasons for the rise in material expenditure. Risk costs undershot the previous year, coming in under budget at Euro 7 million net.

Major changes are underway in the international banking market. Competition is only just beginning. Our success is due to VerkehrsBank's independent positioning. An exclusive focus on core expertise, clearly defined target customers and a strategy for co-market-leadership have all given us a profile of a quite unique quality. We have essentially attained our market position. We have successfully concluded a phase of strong growth in loan business to position ourselves in the competitive international market. Now all divisions must concentrate on profit maximisation. The focus is now on increasing profit – both relatively and absolutely.

For the current year of 2000, however, it will be necessary to implement the following additional points:

1. Pre-tax return on equity must be raised permanently and absolutely above 15 % per annum. This has improved from 3.8 % in 1998 to 13.4 % in 1999, which is already a major step forward.
2. The cost-income ratio must also be reduced permanently and absolutely to under 70 % per annum. Last year's improvement, from 85 % to 77.9 %, shows the way.

The operational measures to be deducted from this are plain:

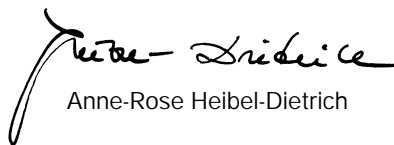
- Nedship Bank nv must become an integral, though legally independent part of the VerkehrsBank Group.
- The first phase of SAP changeover must be implemented for our basic functions. A comprehensive overall risk-management system must be created, based on this.
- We must concentrate on transport finance, adapting the structure and resources of our inland sales force as needed.
- Transport business must be directed towards acquiring commissions in consultancy and structuring work, to effect a major improvement in the risk/profit ratio.
- Central banking activities must be consolidated by means of demand-oriented consultancy concepts.
- We must gain market share, introduce new services and build up the notes and coins business with a new regional focus.
- We must introduce a share-option scheme, with the aim of involving staff in the company's own success and permanently increasing their motivation.

To all our shareholders:

The success we have enjoyed in 1999 is a clear call to take further steps for a successful positioning of VerkehrsBank. Market changes are providing us with scope for creativity and certainty. Stay with us as we move forward.



Wolfgang F. Driese



Anne-Rose Heibel-Dietrich



Klaus W. Heinemann

VerkehrsBank shares

5

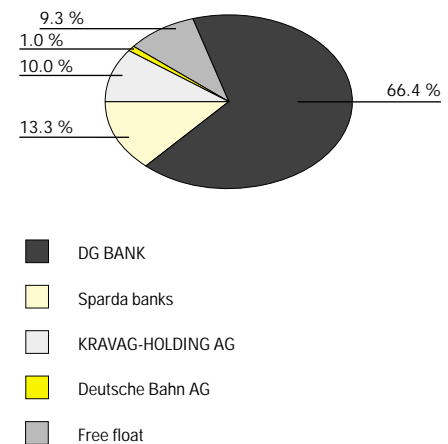
Market background

1999, like the year before, saw high volatility in the stock market. Metaphorically speaking, the German Share Index (DAX) had a hill-and-dale appearance. It reached its lowest level on 4 March 1999, to stand at 4,675.27 points; the year's all-time high was on 27 December 1999, when it reached 6,992.92. Hope that the European Central Bank (ECB) would lower interest rates, plus economic prospects in the Euro zone, were the determining factors for stocks. Both the stability-oriented money policy of the ECB and prospects of improved corporate earnings over the year meant that trends were upward from the end of October 1999.

Share price

We still think that VerkehrsBank shares have great potential: they were

Shareholder structure as of 31. December 1999

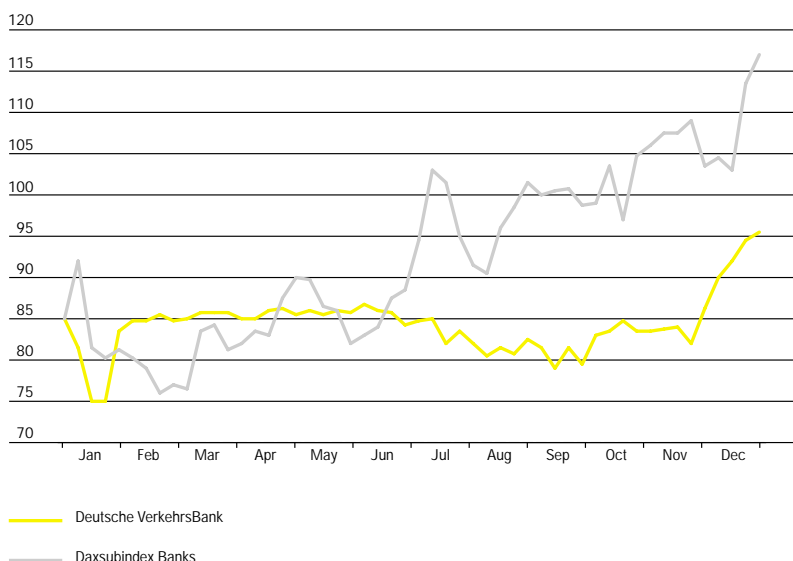


at their lowest price on 21 January 1999, when they stood at Euro 73.67; they reached their high point on 28 December 1999, to stand at Euro 95. The low turnover of our shares impedes any more dynamic development; against the background of our improved market position and the prospect of increased profits which this implies, we expect the price to rise.

Dividend

The Management and Supervisory Boards are recommending the Annual General Meeting for 2000 to declare a dividend of Euro 3.60 per individual share (+ 40.6 %), plus a tax credit of Euro 1.54. This makes a dividend return of 5.4 %, based on the year-closing price of Euro 94.50.

Price of VerkehrsBank shares 1999
in Euro



*VerkehrsBank
share capital
raised to Euro 57.4
million.*

Capital base expanded

1999 saw VerkehrsBank strengthening its capital base. In the first quarter, new shares were issued with a nominal value of Euro 6.4 million and subordinated funds were raised. These measures enabled us to undertake new business in the domestic (German) corporate banking business and in the area of Structured Finance. In this process share capital was increased to Euro 57.4 million. The AGM held on 24 June 1999 also empowered the Bank to acquire its own shares, under the terms of Section 71, Paragraph 1, Clause 7 of the German Stock Corporation Act, for the purposes of securities trading. This authorisation stipulates that the amount of shares for acquisition must not exceed 5 % of the share capital at the end of any one day. The lowest countervalue at which any share may be acquired has been fixed as the uniform price of this share quoted on the Frankfurt Stock Exchange on the trading day prior to the purchase in question, less 10 %. The highest countervalue of a share has been fixed as the uniform price plus 10 %. We have made use of this authorisation over the year under review. The lowest price at which we have traded was Euro 79.50 per share, and the highest was Euro 88.50 per share. Between 1 July 1999 and 31 December 1999 we acquired a total of 12,633 VerkehrsBank shares at an average purchase price of Euro 82.52. They were sold at an average price

of Euro 90.76. The largest daily holdings of own shares during the course of the year amounted to 11,277 shares. This amounted to 0.5 % of our capital. At year end there were no shares in the VerkehrsBank Group's trading portfolio.

Extraordinary General Meeting 2000

In the second quarter of 2000, by virtue of our 100 % stakeholding in Nedship Bank nv, our group of consolidated companies will be taking over some Euro 2.2 billion of risk assets, which will require a considerable expansion of our capital funds. An Extraordinary General Meeting was held on 8 March 2000, for the shareholders to authorise us to undertake various capital transactions: increasing our share capital by Euro 19.3 million to Euro 76.7 million by issuing 754,000 new bearer shares; creating new authorised capital of Euro 25 million; and issuing participation certificates up to a total of Euro 100 million. It is our intention to use dormant holdings, amounting to Euro 77.5 million, to open VerkehrsBank to other investors without changing the shareholder structure. You will find detailed information on the composition of our present capital and reserves in the Management Report.

Change to individual shares

In the fourth quarter of 1999, as agreed by the Annual General Meeting, all VerkehrsBank shares were converted to individual shares without face

value. 2,246,000 individual shares

were in circulation as of the close of 1999. DVFA earnings per share amounted to Euro 6.75. This equals a 58.5 % increase over 1998.



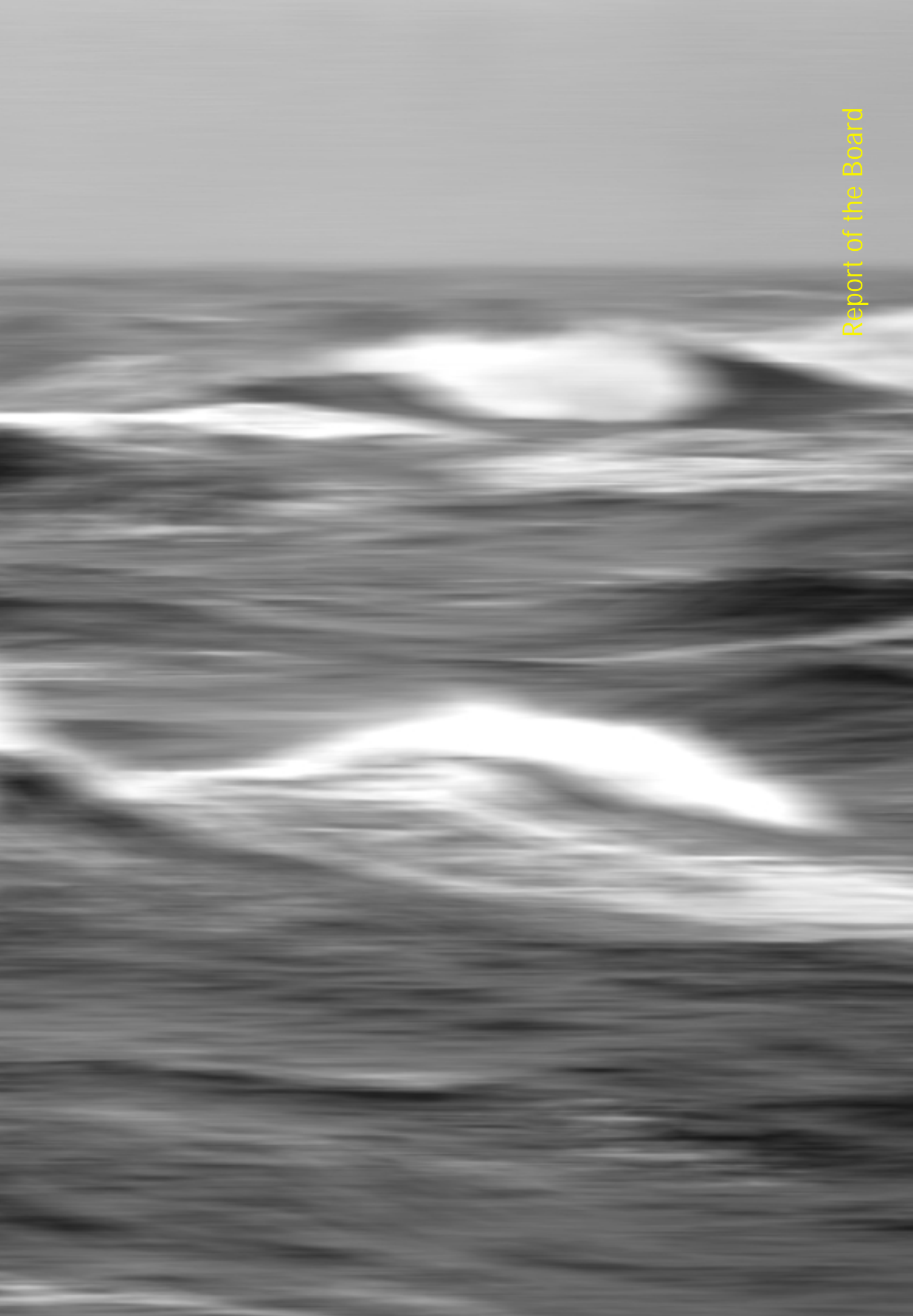
Financial calendar

8 March 2000	Press conference, 9.30 a.m. Hermann Josef Abs Hall, Frankfurt am Main
8 March 2000	Extraordinary General Meeting, 11.00 a.m. Hermann Josef Abs Hall, Frankfurt am Main
April 2000	Publication of quarterly figures
21 June 2000	Annual General Meeting, 10.00 a.m. CongressCenter, Frankfurt Fair and Exhibition Halls
23 June 2000	Dividend payments
August 2000	Publication of half-yearly report
October 2000	Publication of quarterly figures

Shares – key statistics (in Euro)

	1999	1998
DVFA earnings per share	6.75	4.26
Dividend	3.60	2.56
including creditable corporation-tax	5.14	3.65
Dividend yield including tax credit	5.4 %	4.2 %
Highest price during business year	95.00	99.70
Lowest price during business year	73.67	77.21
Year-end price	94.50	86.41
Number of shares at year end	2,246,000	1,996,356
Market capitalisation at year end	212,247,000	172,505,122





REPORT OF THE BOARD OF MANAGING DIRECTORS FOR THE GROUP

*We need a thorough
knowledge of the
market if we are to
provide our
transport-sector
customers with an
optimum service.*

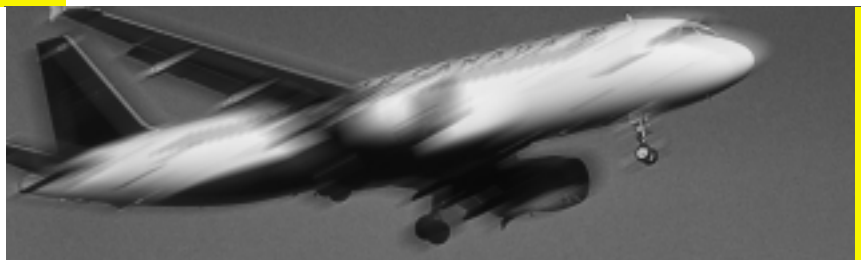
The development of the transport market is of particular importance for VerkehrsBank in its role as an international advisor to the transport industry. It is only through consistent market analysis that new trends can be identified, enabling us to provide our target groups with tailor-made concepts.

1. The development of the transport market

The events of 1999 cast a much more favourable light on world economic development, and thus on

Air traffic expanding

International air traffic for 1999 showed increased growth over the previous year. Germany's international airlines saw a considerable increase in passengers: the number of people flying increased by nearly 7 %. There is still need for large-scale reform of the European air traffic-control system, to reduce air-traffic delays significantly and make it possible to cope with future growth.



transport markets, than anyone had expected at the start of the year. The crisis economies of Asia weathered their low points and South America was largely spared any economic crisis. The US economy has been doing extraordinarily well. In the second half of the year, Western Europe was seeing clear signs of a permanent upward trend. World trade will continue to recover in the course of 2000.

Most airlines saw their passenger and freight volume increase on international flights. We expect this trend to continue in the year 2000. The process of alliances between different airlines is now largely complete, following the formation of a fifth joint venture during the year under review, though some of the members of the alliances concerned may be expected to change. Low-cost airlines and charter companies are also benefiting from this favourable economic climate.

Maritime transport gets new impetus

The recovery of trade in a large number of the world's regions has also had a favourable effect on sea transport. In the tanker and bulk markets, and in container shipping, charter rates have risen from their lowest level. In spite of increased volume, competition between shipping lines has shown no let-up: the consequence has been a new wave of mergers. In the port industry, too, the trend is clearly towards the development of international terminal operators. Cruise companies are also forecast to expand. A large number of construction projects testify to

The inland-waterway industry had a difficult year. Total volume of goods carried fell by 3.3 % and tonne-kilometres by 2.5 %. This was due in particular to bad weather conditions and a decline in demand for coal and steel and for oil products in the first six months. A noticeable recovery took place during the latter part of the year, due in considerable measure to a large expansion in coal imports, which provides an optimistic outlook for 2000.



the confidence which the ship owners have in the future of international cruise tourism.

Rail freight continues problematical

International rail freight continues to be the problem child of Europe's transport policy. There was a fall once again in both the volume and tonne-kilometres provided by EU railways. Any increases, of the kind which road haulage enjoys year after year in cross-border transport, are far in the future. Any creation of a liberalised railway market in Europe continues to stall on technical and political barriers. Some railways are taking a proactive role here. Thus, last autumn saw the foundation of Railion, a merger between DB Cargo and the freight section of Netherlands Railways (NS Cargo). Further consolidation of business activities is forecast among railways and operators. The only sector in which

the EU's railways saw a small increase was that of passenger traffic. Things have been developing quite differently in Central and Eastern Europe. Railways in that region have been forced to accept a drop in both passenger and freight traffic. Inland rail freight, too, saw an acceleration of the downward trend of the last few years: tonne-kilometres declined by 3 %, the volume of freight carried by 6 %. This is due mainly to the weak demand for coal and steel and to a considerable fall in combined transport.

Road haulage growing

In spite of the difficult political and economic situation, however, road haulage in Germany saw a considerable increase in tonne-kilometres, of about 5 %. This clearly exceeded the overall growth figures for freight transport in Germany, which in 1999 stood at 3 %, or 484 billion tonne-kilometres.

As far as the passenger sector is concerned, public transport has not succeeded in gaining any significant market share from private transport. Nevertheless, traffic output for public local passenger transport and local rail services rose by 2 %, to 85.4 billion passenger kilometres. Liberalisation, though it is the objective, is proceeding in both sectors only slowly. This is due to problems involving free network access and delays in supplying rolling

stock. In spite of this difficult general situation, non-state railways have succeeded in positioning themselves well in tenders. Public transport operators are preparing to face increased competition. This will come principally from the arrival of foreign operators and new practices covering the award of concessions.

2. Centre of competence for transport finance

Since 1996 VerkehrsBank has acted as a centre of competence for transport finance within the co-operative FinanzVerbund. Our clear strategic aim is to become the international high-quality market leader in the air, sea and land transport and in the transport-infrastructure sector. Already during 1999 we scored a major and sustainable success in doing exactly this in the aircraft-finance sector.

Acquisition of Nedship Bank nv

We have also come a major step closer to our objectives in the shipping-finance sector: on 20 December 1999 the Board of Managing Directors of VerkehrsBank signed the purchase agreement for our firm to take a 100 % stakeholding in Nedship Bank nv of Rotterdam. Take-over is planned for the second quarter of 2000. This means that VerkehrsBank has succeeded once again in winning the tender in an international bid process.

*Following
its acquisition of
Nedship Bank,
VerkehrsBank now has
a transport-sector
portfolio of more than
Euro 5 billion.*



Head office Nedship Bank nv, Rotterdam

banks for shipping finance, and its competitors include major international banks. Along with many decades of experience, Nedship Bank enjoys excellent customer contacts and has a global presence, employing a total of 74 staff in Rotterdam, London, Bergen, Piraeus, Hong Kong, Singapore, Curaçao and New York.

Nedship Bank's successful activities are reflected in its figures. At the end of 1999 it showed a balance-sheet total of Euro 2.5 billion and had a loan volume of Euro 2.4 billion. The Bank's net

result for the year amounted to Euro 22.5 million.

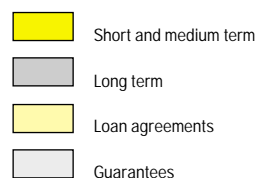
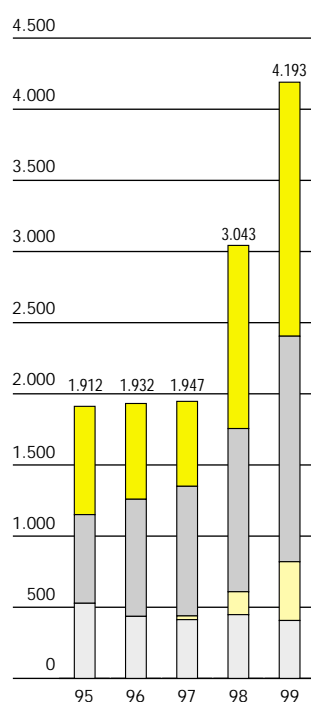
In order to make optimum preparation for the take-over, we have established integration teams jointly with Nedship Bank, to address such major questions as corporate identity, controlling and reporting, IT integration, portfolio management and lending procedures. We shall be transferring management of our own shipping-finance portfolio, which has been developing very well over the last 12 months, to Nedship Bank. In places where we both have branches, such as New York and London, we shall moving under one roof, to provide a communication link, to encourage the exchange of information when structuring complex financial deals, and to attain synergies.

We are sure that this acquisition will enable us to expand our market position as shipping financiers, raising VerkehrsBank's overall profitability and increasing shareholder value.

Structure follows strategy

Along with aircraft and shipping finance, we shall be increasing our involvement with the land transport sector, both road and rail, in Europe. Here too we are constantly building up our market position. Comprehensive expertise in the transport industry will be the basis for the success of our activities. And in future our administrative

Customer receivables
including guarantees and
irrevocable loan agreements
in Euro million



structure will be organised to reflect this: in 2000 we shall be merging Domestic (German) corporate banking business with Structured Financing, to create an organisation arranged by industrial sectors, consisting of Aviation, Shipping, Land Transport and Infrastructure. The next major step in the course of the year will be to divest non-transport business, which we have already revised consistently over the last two years, using criteria of risk and profitability: even now 80 % of our business is generated in the target market, of which 60 % represents loan arrangements with foreign business partners. Following the take-over of Nedship Bank, we shall be realising 85 % of our credit volume with international customers.

Corporate lending business sees significant growth

Receivables due from customers by way of cash and guarantees, including irrevocable loan agreements, rose by 37.8 % over the previous year, to stand at Euro 4.2 billion (cp. adjacent chart). Cash receivables due from customers formed the largest part of this (+ 38.5 %), amounting to Euro 3.4 billion.

All this has been founded principally on the expansion of our Structured Finance business, which is growing. In spring we concluded our take-over of the portfolio acquired by the Long-Term Credit Bank of Japan and, with our teams in Frankfurt am Main, London and New York, were able to concentrate on acquiring new business. The total portfolio run by this division amounted, as of 31 December 1999, to Euro 2.6 billion. Of this, Euro 1.2 billion represents new business before syndication.

Leading position in aircraft finance successfully extended

With a total lending volume of Euro 1.8 billion, 70 % of the Structured Finance portfolio, VerkehrsBank was one of the leading international lending banks for aircraft finance in 1999.

During the business year now ended, 32 deals – 23 of which were in a lead

	Aircraft	Ships	Railway*	Total
Volume in Euro million	1,825	475	319	2,619
Customers	67	30	39	136
Leading role as agent, arranger or lead manager	35 %	10 %	15 %	–

* Including domestic (German) business.

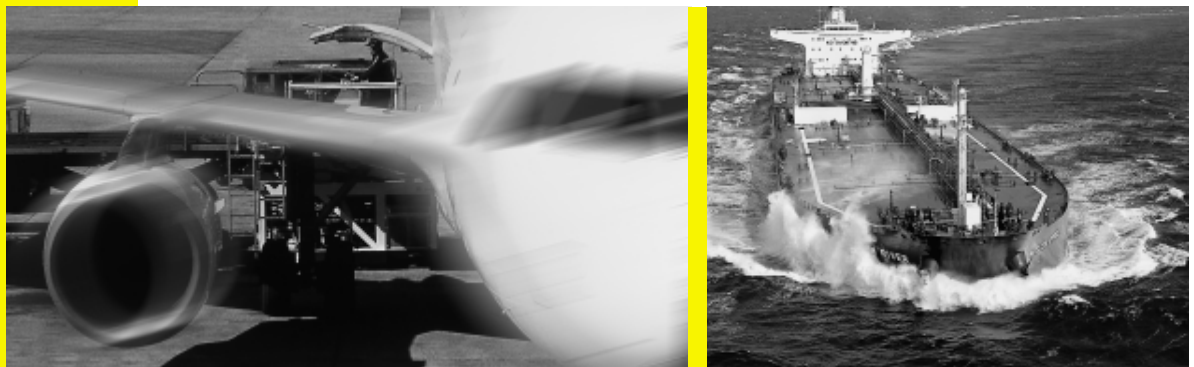
*Our strategic goal:
to become the
quality market leader.*

position – were arranged with 30, mainly foreign, airlines and leasing companies: the new loan volume thus realised amounted to Euro 657 million.

A successful year for shipping finance

Shipping finance, with a volume of Euro 475 million (18 % of the Structured Finance portfolio), can also look back on a successful year: we succeeded in concluding 11 deals, all new business, with a total volume of Euro 155 million. In all, we financed 62 ships – and here too, as far as risk is concerned, we

(German) corporate banking business division. This marks an early reaction on our part to the very dynamic development seen in European and global rail-transport markets. In the first six months alone we succeeded in developing further promising customer contacts; in this process, the focus was on projects in the Anglo-Saxon countries. They included joint finance for high-performance diesel-electric locomotives for a Class I rail-freight company in America and for more than 900 freight cars for



place considerable emphasis on a diversified portfolio. These deals covered various types of shipping, such as crude-oil tankers, specialist cargo vessels and cruise ships. Our 30 customers, spread over 15 countries, are all reputable borrowers.

Railway finance expanding

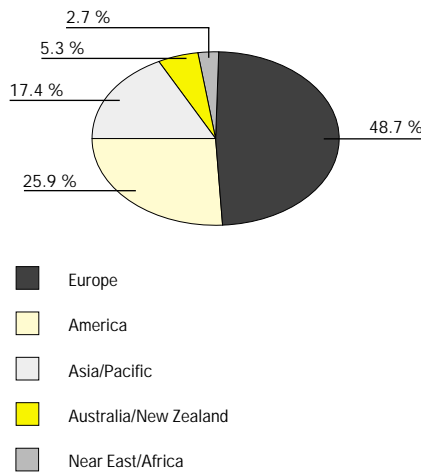
As of 1 July 1999, we have formed a separate section in Frankfurt am Main for international rolling-stock finance, to work closely with our domestic

an American freight-car leasing company, and a loan to the largest rail-freight operator in Britain. In continental Europe the Bank acted as co-arranger in placing a Euro 1.7 billion facility for Bombardier, primarily for financing rail-transport projects. The total volume of loans made by the Bank for railway finance thus rose to rather more than Euro 319 million.

VerkehrsBank is
taking more and more
of a leading role,
as arranger,
lead manager or agent.

It is our intention in the future to position ourselves unambiguously in the railway-finance sector as an expert, internationally recognised business partner, and in the medium term to take a leading position in structuring, syndicating and aiding large-asset finance.

Geographical distribution of total portfolio



If we look at the geographical distribution of our total portfolio, shown above, it will be seen that, barring a few exceptions, loans have been made to companies in three major regions of the world. Europe is our most important area, amounting to 48.7 %. This is followed by America, accounting for 25.9 % of all loans, and Asia/Pacific, with 17.4 %. We consider this to be a balanced regional distribution, reflecting the importance of the different regions for world transport.

New business in domestic (German) corporate banking business

Domestic corporate banking business, in risk aspect and new strategic orientation, has also developed very well. It has focused on medium and long term investment finance for the transport industry. This mainly involved finance for rolling stock and logistics projects, as well as infrastructure schemes in the transport sector.

Secondary-market lending

Since the start of the business year our London branch has been engaged in the sale and purchase of loans on the Interbank market. These activities typically involve loans in tax-optimised leasing schemes or other structured, secured loans. The aim of this business is to identify price advantages as between the primary and secondary markets.

Infrastructure finance

Increased exchange of goods between the world's economies is creating a need not only for investment in transportation but also in the infrastructure needed to run them, such as airports, passenger terminals, freight-transfer facilities for air and sea freight and railway lines.



VerkehrsBank's infrastructure-finance business has benefited from the upswing in the market. During the year under review, this division, founded in 1998, succeeded in expanding its consultancy and lending business for infrastructure-finance projects and to establish itself in the market.

The German Ministry of Transport has commissioned a consortium of consultants to provide an expert report, drawing up model toll regulations, a model concession contract and the award-of-tender documents as required under the Trunk Roads (Private Finance) Act. The experts are required to determine the principles for building, operating and maintaining Federal trunk roads, using private, so-called operator models, such as the Warnow Crossing near Rostock. In its role as financial advisor, VerkehrsBank's remit covers the financial aspects, including risk analysis, toll structure and specifications for own and borrowed funds.

Business relations have also been initiated and developed with multilateral lending banks, such as the International Finance Corporation (a subsidiary of the World Bank) and the Inter-American Development Bank. One highlight of the past business year was our participation in finance for a project in Panama: revitalising the rail link between the Atlantic (Colón) and Pacific (Balboa). Along with various economic benefits, this project will make it possible for shipping lines to redesign their logistics

*A wide range of
consultancy
commissions
successfully
carried out.*

chains, saving time and money. This infrastructure project, arranged by the International Finance Corporation, is based on an operator model, whereby cash flow does not come from an existing company, but is generated from the project cash flow. The company founded for the project is owned by two major US railroad companies who have been awarded the concession and are thereby responsible for revitalising, operating and maintaining the facilities.

Corporate advisory

The Bank's consultancy division, Corporate Advisory, founded last year, has continued its successful work. It has been engaged principally in providing advice on finance and strategy for a number of airlines, leasing companies and aircraft and engine manufacturers. During the year under review we have successfully carried out a broad range of consultancy commissions for FINN-AIR, Rolls Royce Capital and a subsidiary of SAS-GEACAS, all of whom are our customers. Our team has been further expanded and combines thorough expertise with specialist knowledge particular to the air-transport industry.

Risk management

Over the past business year the Bank has consistently pursued its current development from an universal bank to a specialist bank for the transport industry. The increase in lending volumes and of earnings shows that this new orientation has been

successful and is accepted by the transport market. This development is all the more heartening since it has proved possible, while aligning our business policy towards a target-customer sector, to combine this growth with a qualitative and industry-oriented improvement in our loan portfolio. The consequence has been a further drop in our need for risk provision: it amounted to Euro 7 million net, which is 15.7 % lower than the Euro 8.3 million net needed last year, a sum which itself marked a considerable drop.

In view of the continuing high rate of insolvencies, we are continuing to pay close attention to risk management and to giving intensive support to problem borrowers. We are dismantling all commitments with increased sector risks, and we are doing so permanently and in a targeted way. Instruments for early risk identification and risk management are being expanded and refined.

We shall continue to expand the number of staff dealing with credit-risk management, in order to cope with these demands and provide the support needed for structured finance, given our international orientation. In this context we are developing a specific database application, designed to reflect

our needs, for managing the loan portfolio. This application will enable us to manage all relevant qualitative and quantitative data concerning large-asset finance and other finance business in one database and to assess the information under any criteria we need, with reference to the Bank's risk disposition. A further purpose is that of systematic support for current administration of finance business.

Cashless payment systems for public transport

During 1999 we have expanded our work in the area of system solutions for cashless passenger-ticket payments.

Our investment costs in the ticket machines themselves remained at the level of the previous year, standing at approximately Euro 0.3 million.

In 1999 we not only gained a promising business partner, in the shape of Rheinische Bahngesellschaft of Düsseldorf, but also an entry into the market in the Rhine-Ruhr region.

Along with this, we are supporting projects in Berlin and conducting intensive talks with further regional public associations and transport companies.



We have positioned ourselves at 20 further locations, providing ticket machines for passengers on local public transport to purchase season-tickets without cash. We now have 62 ticket machines successfully in operation with the Rhine-Main regional public association, the Hamburg regional public association and the Munich regional public association, all of which are enjoying increased acceptance by the general public. Turnover increased in the last business year from Euro 4.4 million to just under Euro 10.8 million.

The service quality of our ticket machines has been further improved by means of new components, which have also made the machines even more secure against breakdown. Their functions will be expanded in future, to feature integrated cash-card terminals using our cash card. System solutions have already been realised and tickets prepared for cashless ticket purchase using mobile on-board terminals.

Our market researches show a clear trend among transport companies to have their ticket payments managed by service providers. Concepts developed by VerkehrsBank cover the whole chain, from payment transaction, to statistical analyses, right up to service and maintenance packages. Together with our customers and partners, we are also actively supporting market developments involving the introduction of electronic ticketing systems and are taking part in projects to implement them.

Freight-compensation procedure

Following a successful optimisation of existing systems and processes in the area of finance and collection of freight-transport receivables, our activities are focusing on flexibility and service orientation. We are pursuing our aim intensively of attracting further road hauliers and European rail-freight operators to this product. We are already supporting DB Cargo AG, a major customer of ours, in its joint ventures in other European countries. The volume of cleared settlements in the freight-compensation procedure amounted to Euro 3.5 billion for the year under review, following on Euro 3.8 billion in the previous year. This decline reflects the lower volume of freight carried by rail.

3. Central banking

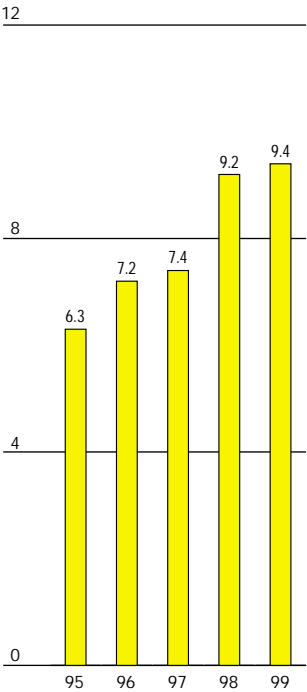
Once again in 1999 we have successfully supported the Sparda banks in our function as the central bank within our co-operative association. The continued success of this group, concentrating on private customers, is reflected in a renewed 11 % growth of the balance-sheet total, which stands at approximately Euro 33.5 billion, and a 6 % growth in membership to 1.8 million. VerkehrsBank has processed securities business with a market value of Euro 6.43 billion for the Sparda banks, which are represented across the whole of Germany, and for their customers. The amount of deposit holdings under management has increased by 2.8 %, to stand at a total of Euro 9.41 billion.

DirectOrder

introduced on a broad front

In 1999 all Sparda banks introduced or prepared a non-advisory securities-dealing service, based on schemes developed by ourselves. For this purpose, along with traditional telephone banking, the Sparda banks have the T-Online solution, and more recently the Internet. Thus we have played a vital part in enabling NetBank AG, a Sparda company, to make its market debut in Internet brokerage.

Securities business with
Sparda banks
Holdings in Euro billion



*A further qualitative
expansion of our
position as a
central bank.*

Investment advisers at Sparda banks need technical and communicative expertise to cope with the demands of securities trading: our tried and tested intensification programmes have been in great demand for this. The subject of market-tracking in securities trading is playing a more and more important role in our events programme and in our range of specialist and market information, which has also been in great demand.

Own-investment management against a difficult background

1999 saw not only a good deal of market volatility but also a considerable increase in returns, underlining once again the importance of a medium-term own-investment management oriented to the requirements of the balance-sheet structure. The Sparda banks have incorporated our detailed concepts into their own-investment management, within the framework of our active support. Depository A business saw holdings amounting to Euro 7 billion.

Our Sparda Consult service has been advising the Sparda banks in coping with the effects of changes in supervisory requirements and helping them realise proper framework conditions for the function of a market-maker. In pursuance of our liquidity-compensation function, at year end our holdings of Sparda-bank investments amounted to Euro 1.85 billion.

Over the coming year we shall continue to expand our joint work with the Sparda banks for inland payment transactions and take increasing note of European standards for foreign payment transactions. We shall be paying great attention to the electronic media, and particularly to the Internet, which will be a central information and marketing channel in the future, in order to open further market potential for the Sparda banks.

Our advisory and support role as a central bank will continue to provide a major foundation for the quality strategy pursued by the Sparda banks and for an earnings-oriented bank management with this end in view.

4. Trading business

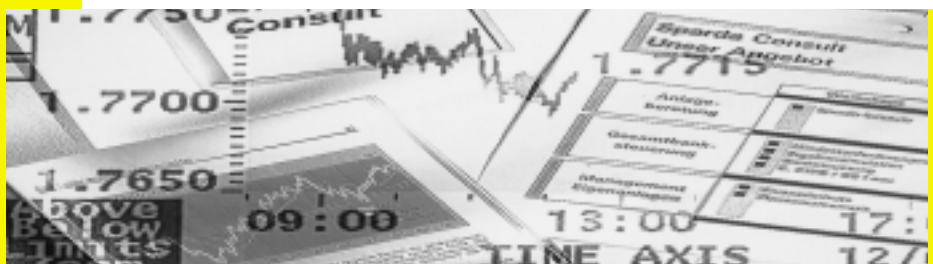
Money and foreign-exchange dealing benefited in the year under review from the Bank's increased international activities and from the volatility of the financial markets. However, a market-determined decline in securities trading meant that VerkehrsBank's dealing profit failed to match the high level of the previous year. It dropped by 16 % to Euro 11 million.

Our money-market dealing covers the Bank's short-term liquidity position, particularly against the background of our liquidity-compensation function for the Sparda banks. During 1999 we took up the surplus liquidity of the Sparda banks, while providing our joint partners with refinancing funds for all maturities.

As far as securities trading was concerned, we concentrated on trading with DM interest products, such as

Foreign notes and coins, precious metals and numismatic items

VerkehrsBank is the expert partner across the whole co-operative Finanz-Verbund for trading and supplying foreign notes and coins, travellers' cheques, bullion and collectors' coins.



public debt, mortgage bonds and other bonds. Apart from this, securities trading also views itself as a service provider within the framework of the whole range of products provided for the Sparda banks and of a range of fund companies, with which an increasing number of transactions were carried out.

We view trading in derivatives as an activity complementary to the spot products concerned. We have been successful in expanding volume and turnover for these modern finance instruments. This has been due in particular to increased business in interest swaps, which we have transacted with both Sparda banks and corporate customers.

In spite of difficult framework conditions, foreign notes and coins saw an increase in trading volume. Good acquisition results led to a higher turnover than the previous year. Turnover for the year rose by about 30 %. The US Dollar should be mentioned in particular here, which showed an increase of more than 80 %. As a whole, the share of non-EU currencies grew by 13 %.

Successful acquisition of new customers

1999 also saw us pressing forward consistently with the expansion of our foreign note and coin trading: we succeeded in broadening our national and international customer base significantly. Our market share, as far as domestic (German) business is concerned, has increased by 5 % since 1997, to stand at about 35 %. We also succeeded in gaining market share in Italy, Austria and Spain.

Bullion trading saw a further fall in prices in 1999. The main reasons for this were the gold sales undertaken by a number of national banks, which lasted into September, and speculative sales on the part of fund companies. Uncertainty in the market led to a fall in demand to about 50 % compared with the previous year. We succeeded in compensating some of this decline in demand by the acquisition of new customers. Increased own trading kept

In 2000, VerkehrsBank's bullion trading and trading in foreign and notes and coins will stick to its strategy of providing optimum service to existing customers while acquiring new ones. In this process, as in other areas of the Bank, the trend towards international business will increase.

5. Treasury

Due to dynamic growth in our loan business, we have taken up considerable refinancing funds on the capital markets. This has involved using a product mix, composed of supplementary capital, bonds (both bearer and registered) and borrower's note loans (see adjacent chart). The 1999 volume amounted to Euro 922 million. The absorptive capacity of the market and the targeted exploitation of market opportunities made it possible to achieve market-oriented refinancing, even though costs rose in the second half year. VerkehrsBank issues were at all times a much sought-after investment, especially for institutional investors in Germany and other European countries. Structured capital-investment products were also placed on the domestic (German) market.

	in Euro million
Supplementary capital	19
Bearer bonds	100
Registered bonds	68
Borrower's notes	735
Total	922

results at just under the previous year's figures. Numismatics also felt the pressure on prices characterising bullion.

*VerkehrsBank
develops from
net capital provider
to net capital user.*

Managing market risks was of particular significance this year, too. These were characterised, on the one hand, by active trading, and on the other by new business in currencies and long maturities. Risk calculations using the most modern methods and programmes ensured efficient management.

Rating promotes Bank's strategy

In 1999 VerkehrsBank was already a permanent net debtor on the Interbank market, due to its increase in new business. It is necessary for VerkehrsBank to position itself internationally, particularly for new business in aircraft and shipping finance. The ability to refinance these transactions long term with a correspondingly favourable pricing, and the access which this needs to the international capital markets, will be the factors determining success. And when it comes to taking over a lead position in finance consortia, a bank's standing plays a decisive role: the agent position, which we intend to assume even more frequently in future, is often tied to a rating. Against this background, VerkehrsBank's

success in joining the Standard & Poor's rating system in 1999 was a major step in becoming internationally competitive. The rating is A- long term, A-2 short term, outlook stable. In future we have decided to improve our rating further, through increased profitability, cost-income ratio and own capitalisation. Since many international issues require a second rating, we had Moody's Investors Service carry out an additional analysis in spring 2000. The result, A3/P-2 long/short term, confirms us in our strategy.

Refinancing must fulfil more requirements

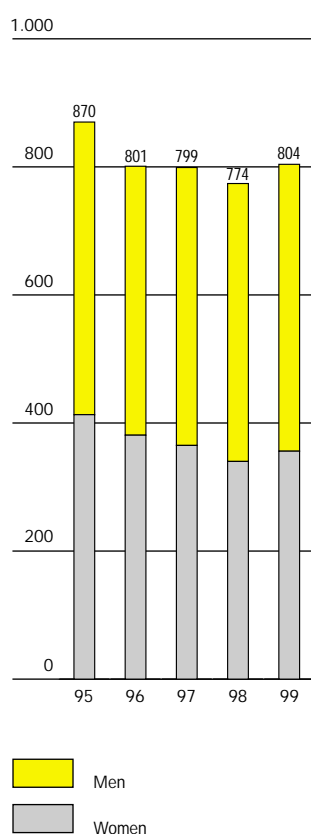
For 2000 we expect further dynamic growth and anticipate that refinancing activities within the Group will need to fulfil strict quality requirements, reflecting our higher future business volumes and the changing needs of investors. As early as January 2000 we issued a floating note for Euro 300 million. An international issue will follow in spring, in the form of a floating-rate note in US Dollars and a subordinated issue in US Dollars, the latter as a private placement with selected international

investors. Our refinancing activity will make more and more use of the international capital markets, approaching further investor sectors by issuing commercial paper and through debt-issuance programmes.

6. Staff

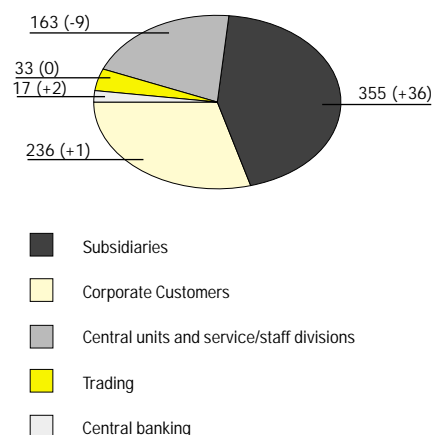
1999 saw further targeted staff growth in our Structured Finance division in both London and Frankfurt am Main, as well as intensive efforts to attract qualified personnel, including new recruits. These activities were aided for the first time by our Internet Homepage, which publishes a job bulletin. We are glad to see that people have reacted well to this new information medium. VerkehrsBank has also initiated close contacts with universities offering a combination of banking and transport studies, a combination very attractive to ourselves. In November 1999 we were represented for the first time at the Graduate Conference in Cologne.

Number of staff



The year also saw intensive discussions and negotiations with the Works Councils. In this process we succeeded in reaching a large number of agreements. Performance-related pay for staff not covered by standard wage agreements proceeded from its pilot stage and was fully implemented. As of 1 December we introduced new variable working hours, providing greater flexibility for services and increased freedom of action for staff.

Staff distribution by divisions
Changes over previous year in brackets



Staff training and development

We have appointed three graduates to our national training programme, entitled “VerkehrsBanker for corporate banking customers”, and three more to a trainee programme with a new international dimension.

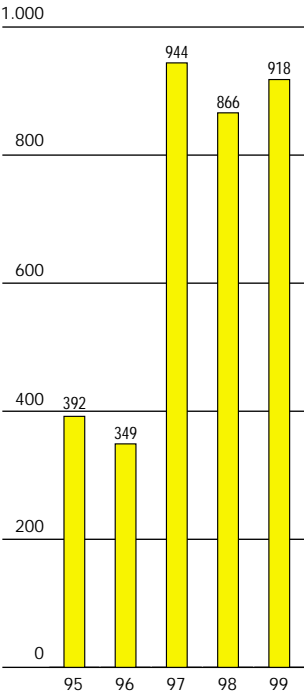
We have taken a number of new directions in staff development, involving many activities and projects. We have started a team-development process, called “Making teams into winners”, and concluded the forum entitled “A future with VerkehrsBank.” We have set up projects with new recruits from Foreign Notes & Coins, Bullion Trading and Securities Trading to develop our market leadership further and to encourage potential development with institutional customers.

Continuing education consistently reflects the Bank’s strategic position. The Bank’s new international orientation means that particular room is devoted to language training. More than 120 staff have taken advantage of the offer to attend English courses either internally or externally. Our colleagues in London have been taking part in German courses.

Specialising in the transport sector
1999 saw transport-specific specialisation being extended to the loan sectors, credit managers being integrated into workshops for developing transport expertise. A total of 20 workshops took place covering passenger transport (public transport and rail), road haulage, truck stops, inland waterways and freight-transport terminals. Along with the usual workshops covering new customers, assessment methods and exchange of experience, visits to manufacturers and a systematic study of logistics are planned for the current year.

We invested just under 2 % of staff costs of Euro 48.8 million in further education for our staff – a good figure for the industry. We should like to thank all our staff for their splendid commitment during 1999, in particular our colleagues from the IT division, who worked without a break from the Euro project to the millennium-date change. The successful way in which these demands were met shows once more that the Bank has staff who are both well qualified and completely committed, who can show team spirit and reflect high standards. The Board of Managing Directors would also like to take this opportunity of expressing its thanks to the Executive Managers’ Consultative Committee, to the General Works Council and to all individual works councils for the confidence they have shown in their joint work.

Expenditure on staff development and training in Euro 1,000



Our integrated communications strategy supports the Bank's development into an international investment bank for the transport industry.

Company superannuation

The VerkehrsBank pension fund supplements the social-security pension, thus guaranteeing a superannuation income adequate largely to maintain the standard of living attained during an employee's last years of service. Under the terms set out in staff-employment contracts covering compulsory membership of the pension fund, staff make a contribution of one third and the Bank a contribution of two-thirds. At the end of 1999 477 people were receiving payments from the fund in the form of superannuation, professional incapacity benefits or surviving dependants' allowances.

7. Corporate Communications

Within the context of an integrated communications strategy, VerkehrsBank is increasingly becoming a major brand in international transport finance.

All media relevant to our target groups have given favourable coverage to VerkehrsBank's development into an international investment bank for the transport industry. This work has been aided by targeted advertising and marketing activities. Special mention should be made of the sponsorship provided to the International Aircraft Finance Conference in Geneva, which is the most important meeting ground for the international air-transport industry.

Developing new concepts

In 1999, "VerkehrsInsel", a programme of events in Berlin, focused on the question, "Is European rail freight traffic destined to be shunted into a siding?" The good response received demonstrated that this topic had again



Second VerkehrsInsel in Berlin

In the past year we have been concentrating on building up press publicity addressed to national and international transport media, on implementing our ideas for events and on producing an Internet site.

touched a nerve in the transport industry. A new idea was conceived, 'TraderS Eve', an annual event, at which Germany's foreign currency and bullion dealers get together to discuss current trends.

Last year saw the Bank launched on the Internet, now a media link in terms of communications strategy. The Internet will continue to become increasingly important, given the growing internationalism of the Bank and the increasing significance of investor relations issues.

As a result of its acquisitions, VerkehrsBank is facing new challenges, in terms of internal communications. The integration of international colleagues and the communication of Bank strategy are and will continue to be the most important of these challenges and will necessitate both a novel approach and new methods. The new concept of management meetings, the aim of which is to promote dialogue between executive staff and the Board of Managing Directors, and the organisation of the company party, to which all German staff were invited for the first time, are examples of this. It is certainly not every day that the Management Board and the Works Council co-present a play, the underlying theme of which is the changing banking environment and its effect on the workforce.

8. Information systems

In terms of IT, the year 1999 was dominated by work to ensure the Year 2000 compliance of all computer systems and the start of the SAP project.

We started our Y2K project, which included all departments and associated companies, in October 1997.

Within the framework of detailed project planning, we initially listed all hardware and software systems which, by 30 September 1999, had been checked for Y2K compliance in a separate test environment. During these tests, special attention was devoted to identified interfaces with other systems.

We wrote to all software and hardware manufacturers and owners of occupied premises rent to the bank, requesting them to check the Y2K compliance of their computer systems and to certify a positive outcome. We also contacted foreign correspondent banks and issuers, asking them to check the Y2K compliance of their systems. All major loan customers received a questionnaire, drafted by one of the banking associations, and some of our customers were questioned on an individual basis. The results of this survey were subjected to an analysis and special measures discussed with certain customers.

Based on a recommendation from the Federal Banking Supervisory Authority, contingency plans were drawn up by the banks to ensure the orderly

*A successful
conclusion to the
Y2K project.*

conduct of business procedures. The precautionary measures, taken by the bank to cover possible disruptions or malfunctions caused by external influences, included emergency power generators and the provision of emergency work stations at another location.

Thanks to these preparations and the focused commitment of all those involved, the Bank was able to record a smooth transition into the next millennium.

Fundamental restructuring of our IT applications environment

Since the middle of 1999, we have been gradually introducing standard SAP software at VerkehrsBank, to support our accounting, reporting and controlling procedures. In this connection, we are pursuing both IT and professional objectives. Our application environment is in urgent need of restructuring. The development of efficient controlling on a bank-wide basis, enhanced risk management and the optimisation of limit monitoring are additional objectives. This will provide better illustrations for more complex loans, and the integration of a portfolio management tool for Structured Finance will provide enhanced technical support in this segment.

A number of outdated systems will be replaced by SAP modules within the framework of this project. Financial

accounting, controlling, and pension-administration systems, along with the operating modules for current accounts and loans and for money, currency and derivatives trading, will be introduced during an initial phase, followed by single-transaction calculations, risk management, asset and liability management and a global limit system. It is in this second phase that a long-term benefit will be derived from the introduction of SAP. Extensive data integration offers a host of analysis options. The speedy availability of detailed control data will allow even greater efficiency in departmental controlling which will, in turn, lead to enhanced operational security and improved bank-wide controlling options as well as cost savings.

Further development of IT systems

In addition to the focal points described above, adjustments have been made to the Bank's systems and applications in the context of the NT platform, control tools have been created to monitor lending risks and a central bank limit-management application developed. Our reporting application has been upgraded by the addition of major modules. In addition we have enhanced our internal and

*ReiseBank
achieves record
result in 1999.*

group-wide communications system, for example, by piloting work-station Internet access.

9. ReiseBank AG

In 1999, as in the previous year, ReiseBank significantly increased revenue from commission on products and services. Year-end profits of Euro 12.3 million (+ 51.8 %) were surrendered to VerkehrsBank under the terms of the subordination and profit-transfer agreement. The balance sheet total for ReiseBank amounted to Euro 48.5 million, which represents an increase of 6.8 %.

which brought in revenue of Euro 570 million, resulting in an increase of 16.1 % or Euro 9.1 million.

The replacement of the last 35 old cash dispensers with a new generation of machines was completed in 1999. Technical improvements have led to a significant improvement in service quality. Since the middle of 1999, our customers have been able to use their cash cards at all ReiseBank cash dispensers. In addition, 35 dedicated cash-card terminals had been installed at railway stations by the end of the year.



Renewed upturn in core business

Profits from the core business segments, foreign currency and travellers' checks, recorded a welcome increase. Revenue rose to Euro 24.7 million, an increase of 9.5 % compared with the previous year.

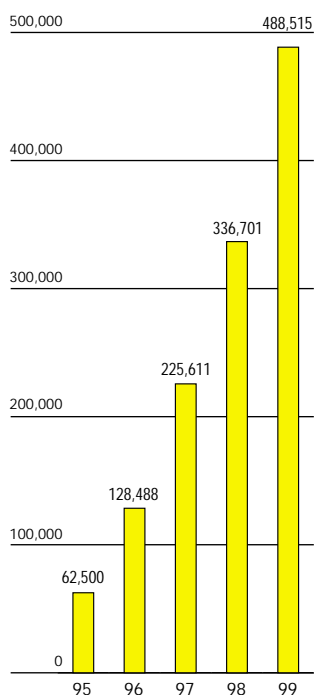
Cash dispensers - a major earner

More than 4.6 million transactions were effected via the 120 cash dispensers in operation at the end of 1999,

Western Union - a valuable joint venture

The service improvement offered to Western Union users has led to a significant increase in business. Almost all ReiseBank offices are now equipped with input terminals which enable cash transactions to be directly recorded

Transactions with
Western Union
Number



and transmitted to anywhere around the globe within a matter of minutes. The number of transactions increased by 45 % to over 488,000 and turnover rose by 35 % to Euro 238 million.

Increased product range

A major growth in revenue was achieved from the sales of telephone cards and from 'Deutscher Bargeld Transfer' a ReiseBank product equivalent to the international Western Union service. We also extended the existing joint venture with ADAC in 1999. Recently-introduced distribution channels for ticket sales – tickets for events via a call centre and air tickets via the Internet – initially show considerable promise. Product-bundling into various product packages is also planned.

Costs slightly up

Administrative costs, including depreciation and valuation adjustments on intangibles and fixed assets, rose moderately during the business year and stood at Euro 16.5 million (+ 4 %); staff costs rose to Euro 16 million (+ 4.3 %) and miscellaneous operating costs fell to Euro 0.3 million (- 61.6 %).

At the end of the year, ReiseBank had 316 staff (1998: 295), spread over its head office in Frankfurt am Main, 53 permanent offices throughout Germany, two mobile offices at Munich and Nuremberg airports and two foreign branches in Basle.

Effect of the Euro

Foreign-exchange business is becoming unprofitable for many banks. ReiseBank, in its role as a specialist bank, offers a complete foreign-exchange service locally and regionally by mail order. We are optimistic that this will offset the decline in Euro sales. We also intend to expand our product range in the non-banking sector, primarily by the introduction of leisure and tourism products and services. It is our aim to increase our office network by the addition of some attractive sites at railway stations.

*CashExpress
expands into the
Czech Republic.*

10. CashExpress GmbH

In its fourth year of operation, CashExpress Gesellschaft für Finanz- und Reisedienstleistungen mbH reached its consolidation phase, achieving a positive result for the year for the first time, in spite of substantial investment in three new offices in Flensburg, Kiefersfelden and Berlin-Bahnhof-Friedrichstraße.

Commission-based profits of Euro 1.5 million represented an almost three-fold increase over the previous year. Notes and coins accounted for 62.4 % of this, with most of the balance derived from the sale of vignettes. As a result of expansion, staff and administrative costs, including depreciation, rose by 46.4 % to Euro 1.7 million.

CashExpress had 35 (1998: 21) staff at the Bank's headquarters in Frankfurt am Main and its eight branch offices. In addition to its customer business, the company undertakes marketing and acquisition services on behalf of ReiseBank. A new type of joint venture is in its test phase, the so-called 'Travel Market'. Alongside the CashExpress counters and their range of travel-based financial services, business partners offer additional products associated with the travel industry, including the sale of air tickets.

In 1999, CashExpress set up a subsidiary in Prague, CashExpress CZ s.r.o., with the aim of expanding its business to the Czech Republic. The branch office is scheduled to open in 2000.

11. International Transport Finance Ltd.

International Transport Finance Ltd. (ITFL), the subsidiary company formed in 1998 to look after our American and Japanese business, has also received the level of response and acceptance expected from our clientele. London-based ITFL also acted as VerkehrsBank's New York representative during the last business year and maintains a branch office in Tokyo as well. ITFL's New York representation, which was converted to a VerkehrsBank representation on 1 January 2000, concentrates primarily on maintaining customer contacts in the North and South American aircraft-finance sector, although rail finance is becoming increasingly important.

Loans to Japanese leasing companies are managed from Tokyo, while the London team has responsibility for overall business development and providing support for marketing departments.

12. DVL Deutsche Verkehrs-Leasing GmbH

DVL Deutsche Verkehrs-Leasing, in which VerkehrsBank holds a 39 % stake, handles the focal area of investment finance and stakeholding schemes. Other shareholders include DG IMMOBILIEN MANAGEMENT GmbH and VR LEASING GmbH, whose activities concentrate on the acquisition and design of fund-management schemes, particularly in the field of real-estate and leasing. This enables the Bank to offer tailor-made financing options to interested clients. At the same time, the availability of a public investment fund, most of which is invested in the co-operative FinanzVerbund via DG ANLAGE, constitutes an attractive form of capital investment for customers within this co-operative association.

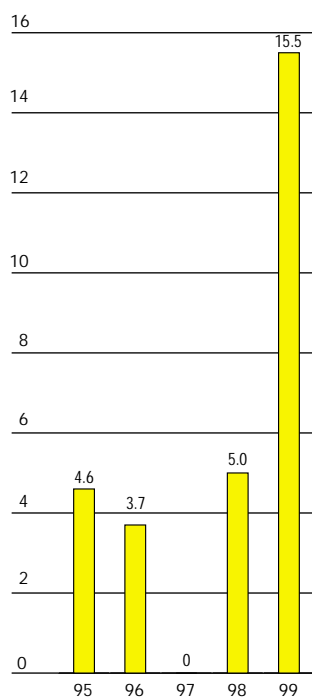
13. Profitability, assets and financial status

VerkehrsBank's strategy of focusing on core areas of expertise and its deliberate concentration on the transport

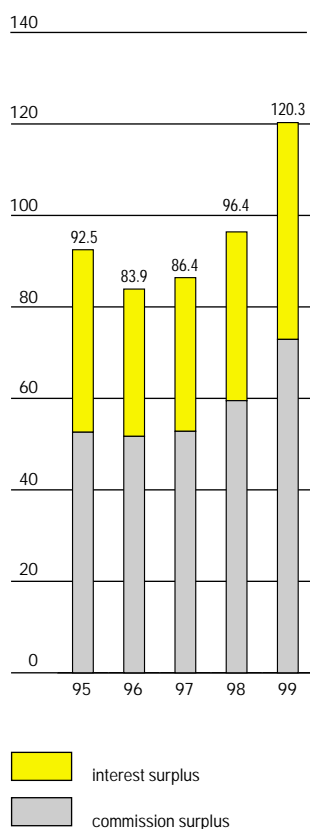
market has resulted in high rates of growth in past years. It has meant a three-fold increase in the annual surplus achieved during the past two business years. At the end of the year under review, this surplus stood at Euro 15.5 million, 212.3 % higher than in 1998. The Bank plans to distribute a dividend of Euro 3.60 per individual share (+ 40.6 %), corresponding to an amount distributed of approx. Euro 8 million. Our domestic (German) shareholders, who have an unrestricted tax liability, will receive Euro 5.14 per individual share, including creditable corporation tax. The remaining Euro 7.4 million will be allocated to profit reserves.

Lending volumes increased by 6 % to Euro 7.9 billion. Return on equity also improved considerably, in spite of a significantly broader core-capital base, standing at 13.4 % before tax for the 1999 business year. This is an extremely important yardstick for our company, which has developed according to plan and is now on target to meet our objective of over 15 % in 2002.

Annual surplus
in Euro million



Interest and commission
surplus
in Euro million



1996: Spin-off of the bureaux-de-change division into ReiseBank AG as well as end of price-nursing business for Deutsche Bahn bonds.

The 1999 business year was an extremely positive one for VerkehrsBank and its group of companies. The high period-related costs incurred in respect of Y2K compliance and the organisational measures required to restructure and safeguard IT systems were offset by higher revenue. The operating result, before risk provisions, rose by 73.1 % to Euro 29.6 million compared with the previous year. The Group again posted higher business volumes in 1999, which this time rose by 6.1 % to Euro 8 billion. The balance-sheet total for VerkehrsBank amounted to Euro 6.9 billion, a 4.7 % increase over the previous year. This increase was primarily the result of higher customer receivables (+ 38.5 % to Euro 3.4 billion) and securities (+ 35.7 % to Euro 1.2 billion).

A welcome increase in regular income

We are pleased with the profit trend achieved during 1999. Regular income, made up of interest and commission surplus and net income from financial transactions, show a welcome rise of just under 20 % to Euro 131.3 million. We have been able to adapt profit structures to the advantage of our commission business – which (at Euro 72.9 million) accounted in turn for a share significantly above that of our interest business (Euro 47.4 million). Overall, more than 50 % of our

profits (56 %) were earned from commission business. The stronger emphasis on non-interest-dependant business is particularly important in times of falling interest margins. Our aim is to continue to increase this business, which involves very little equity commitment, by expanding our consulting capacity, thereby improving equity yield. The sector reports contained in the Notes on the Accounts and Management Report provide a detailed breakdown of the individual items which make up the result.

The interest surplus rose appreciably by 28.5 % to Euro 47.4 million, as a result of higher sales volumes. The commission surplus developed particularly well. After a good result in the previous year, we achieved a record result of Euro 72.9 million in 1999 (+ Euro 13.4 million or 22.5 %). Together with the increase of Euro 6.7 million achieved in 1998, the commission surplus has risen by more than 38 % over the last two years. This notable increase can be attributed to securities trading, electronic banking, ReiseBank and consulting services connected with Structured Finance.

*We aim further
to improve our
result in the 2000
business year.*

Net profit from financial business was not quite as good as the extremely positive result achieved in the previous year, although, at Euro 11 million (-16 %), it still remained at a high level. The foreign exchange, bullion and numismatic segments once again made a significant contribution to this result, but it proved impossible to maintain the levels of the previous year for securities, money and foreign exchange tradings.

Administrative costs (including depreciation) rose by 15 % to Euro 105 million in 1999. Although the 4.7 % increase in staff costs to Euro 48.8 million was slightly above the previous year's level, operating expenses rose considerably to Euro 50.4 million (+ 28.9 %). This was due mainly to the investment needed for restructuring our IT application environment. In 1999 we invested over Euro 1 million in hardware and Euro 1.5 million in software. We were obliged to commission external support and consulting services in respect of the introduction of SAP and the Y2K compliance, which led to total expenditure of over Euro 3 million. A rise in the volume of securities traded led to about Euro 4 million in transaction-related costs.

Improved cost-income ratio

In spite of high operating expenses, the growth in expenditure was over-compensated by increased revenue, resulting in an improvement in the cost-income ratio, i.e. the ratio of operating expenditure to income, fell from 85 % in the previous year to 77.9 %. Over the next few years, we aim to improve this figure still further and to reduce our cost-income ratio to below 70 % by 2002.

Pre-tax profits for the group rose from Euro 6.7 million to Euro 22 million (+ 228.4 %). The acquisition of Nedship Bank will increase our profitability still further. Our objective is to achieve pre-tax profits of Euro 50 million over the next two to three years.

Risk provisions

Net reserves of Euro 7 million were required to cover risks associated with lending, which was Euro 1.3 million less than in the previous year. The total

of risk provisions for the group amounted to Euro 95.6 million (previous year: Euro 97.7 million). Euro 10 million was fully written off for lending losses, Euro 29.5 million less than in the previous year. A table giving a breakdown of our risk provisions is included in our Management Report.

Outlook

VerkehrsBank will continue to consistently pursue its strategic objectives in the new millennium. Our aim is to enhance our high-quality market leadership in aviation, shipping, land transport and infrastructure in our role as a Centre of Competence. As one of the leading aircraft financiers in Europe we already hold a respected position in the market. With the acquisition of Nedship Bank, we shall also occupy a major position as an international shipping financier. The Land Transport Division will be expanded by building up additional expertise and the provision of tailor-made consulting services and high-performance products. In organisational terms, we shall continue with our process of specialisation by introducing an industry-oriented structure, independent of regional considerations, and drive forward the restructuring of our customer portfolio.

VerkehrsBank is now an international company and has achieved strong growth over the last two years. By the end of 2000, we shall have achieved a customer loan volume of between Euro 5 and 6 billion. By way of comparison: at the end of 1997 it was less than Euro 2 billion. More than 85 % of our borrowers will be based outside Germany. This requires a new dimension in our approach and activities. With the introduction of our new SAP software, we will have achieved the modernisation which is indispensable for this strong growth during 2000/2001 and will continue to improve our risk-management and controlling tools.

The reinforcement of our contacts with capital-market players constitutes an important part of our activities during the current year.

In addition to increased transparency, in terms of reporting and wider disclosure deadlines, we place particular value on direct contacts - especially

within the framework of presentations and information talks. We are correspondingly expanding the communications sector to include investor relations and industrial research.

The challenges we face as the central bank for the customers of the Sparda Banks – customers whose requirements are considerable – will also make demands on us in terms of creativity. Our business activities will focus on customer-initiated business, supporting other business sectors with new products and improving service quality for the Sparda Banks. We are also driving ahead with the internationalisation of ReiseBank, to offset the losses anticipated in 2002 from the introduction of Euro currency.

We will closely monitor our costs, which are currently developing unfavourably, especially where they are not investment-related. We plan to set up a project team to deal with procedures and costs so that we are in a position to instigate strong counter-measures in good time. We do not want to forfeit any of the elements which have led to this profit, due to unscheduled cost increases.

All in all, we consider ourselves well equipped to confront successfully an increasingly competitive environment and the rapidly changing parameters associated with it, particularly in the European banking industry. We are confident that we can speedily carry through the transformation process facing us, thanks to our acquisition of Nedship Bank.

We have an extremely busy year ahead of us, and thanks to the know-how and commitment of our staff, it will also be a successful year. Our objective is to improve our result further in the 2000 business year.





Management Report

(for the Group and the AG)

VerkehrsBank achieved substantially higher profits in 1999. Our strategy of focusing clearly on key performance-areas has proved successful, particularly in the face of what have sometimes been difficult market conditions. The market strength and profitability of all Group divisions improved still further. As in the previous year, the growth in revenue from consulting and financial services has remained extremely dynamic, and we have been able to consolidate our structured finance business substantially.

Over the past business year we have concluded the take-over of the International Aviation and Shipping Finance Division purchased from the Long-Term Credit Bank of Japan Ltd in 1998, with a total portfolio of Euro 1.4 billion, and have been able to concentrate on new business acquisitions. VerkehrsBank has now successfully established itself as one of the leading aviation finance houses in the European market. As far as the shipping-finance sector is concerned, we have come a significant step closer to our objective of becoming a quality market leader. On 20 December 1999 the Board of Managing Directors of VerkehrsBank and Rabobank signed a purchase agreement, under the terms of which our Group acquired a 100 % stakeholding in Nedship Bank nv, Rotterdam. The take-over is scheduled to take place at the beginning of April 2000. This international lending bank, specialising in international shipping finance, can look back over one

hundred years of experience in the sector. Internationally, it is among the top ten banks, specialising in shipping finance. Once the take-over is concluded, we will amalgamate our own financial activities in the shipping sector, which have achieved extremely satisfactory growth over the last twelve months, with those of the Nedship Bank. Traditionally, road and rail transport – and thus land transport – has been one of our strong points in terms of domestic business, and it is an area in which we aim to become a European market leader. This applies equally to our infrastructure and rail-finance segments, where progress was also made last year in the consulting sector.

Explanatory notes on business and profit trends

Business/lending volumes and balance-sheet total

In 1999, VerkehrsBank Group *business volumes* (balance sheet total, guarantees, irrevocable loan commitments and derivatives) stood at Euro 8 billion, only 6.1 % (Euro 7.6 billion) above the previous year's level, the increase in customer-loan transactions having been offset by a decline

in receivables from lending banks.

Short and medium-term customer receivables, which includes receivables generated from the freight equalisation procedure, had risen to Euro 1.8 billion (+38.6 %) by the end of the year. Longer-term customer receivables also grew by 38.2 % to Euro 1.6 billion. Accordingly, *customer receivables in the form of cash and guaran-*

Freight payments and similar payments, amounting to Euro 3.5 billion, were handled in the context of the *freight-compensation procedure* provided by VerkehrsBank. When compared with a figure of Euro 3.8 billion

	1999 Million Euro	1998 Million Euro	Change Million Euro	%
Receivables due from lending banks incl. central bank assets	2,153	3,137	-984	-31.4
Customer receivables	3,479	2,553	+926	+36.3
Securities, including stakeholdings	1,188	877	+311	+35.5
Contingent liabilities	407	448	-41	-9.2
Irrevocable loan commitments	416	161	+255	+158.4
Derivatives	265	285	-20	-7.0
Loan volumes	7,908	7,461	+447	+6

tees rose by 31.1 %, compared with the previous year, and stood at Euro 3.8 billion. *Contingent liabilities* fell by 9.2 % to Euro 407 million. *Loan volumes* totalled Euro 7.9 billion (+ 6 %).

The expansion of business activities accounted for a 4.7 % increase in the *Group balance sheet total*, which rose to Euro 6.9 billion. The growth in sales volumes was primarily due to business expansion within the AG. This accounted for a 94 % share of the Group balance-sheet total.

for the previous year, this corresponds to a decrease of 9 %, which is attributable to lower rail-freight revenues.

Securities

We increased the group inventory of *debentures and other fixed-interest securities* by 46.9 % to Euro 939 million, in order to cover long-term, Sparda refinancing. *Shares and other non-fixed interest securities* were increased by 4.4 % to Euro 236 million. *Total turnover from securities* amounted to Euro 41.2 billion (- 27 %).

Derivatives

In 1999, as in previous years, the range of services offered to customers by VerkehrsBank included *interest rate derivatives* which were also used by the Bank to hedge against its own interest commitments. At the end of the year, nominal asset volumes from these business activities, including forward exchange transactions, stood at Euro 10.3 billion (+22.6 %) for the Group. This rise was primarily due to an increase in forward exchange transactions and interest swaps. The *credit equivalence amount* posted, after risk weighting, was Euro 265 million on 31 December 1999 (Euro 285 million in the previous year).

Stakeholdings

Total *investments and stakeholdings in associated companies* increased by 2.8 % and stand at Euro 13 million, due to the acquisition of a limited partnership in two private transportation companies.

Outside finance

VerkehrsBank has undergone a transformation in money market terms, from net capital provider to net capital borrower. This is clearly demonstrated when one compares the increase in customer receivables with the increase in interbank items. Group-wide *receivables from banks* fell by 59.9 % to Euro 1.2 billion, whereas

payables to banks rose by 10.9 % for the Group to Euro 4 billion, and by 6.9 % to Euro 3.5 billion for the AG. This growth in assets has been financed to a large extent by the issue of bonded loans, which are reconciled under this item.

Total Group payables to customers and banks, including certificated liabilities, rose by 3.1 % to Euro 6.4 billion.

Compared with the same date last year, period-dependent *customer deposits* fell by 6.4 % to Euro 1.8 billion.

In the past, refinancing has been funded chiefly from interbank deposits, held primarily at VerkehrsBank by the Sparda banks. Nedship Bank activities in particular will be financed by way of loan issues, and consequently certificated liabilities will account for a substantially larger share of future refinancing. Furthermore, we intend to make

increasing use of international capital markets and enhance our appeal to additional investor groups, including those in the US dollar sector, by means of commercial-paper and debt issuance-programmes.

The following table shows the growth in equity during the period 1995 to 1999:

Euro million	1999	1998	1997	1996	1995
Equity capital	57.4	51.0	51.0	45.9	38.3
Reserves	119.7	100.2	100.2	104.7	87.2
Core capital	177.1	151.2	151.2	150.6	125.5
Subordinated liabilities	62.1	43.5	–	–	–
Participating capital	89.5	89.5	38.3	38.3	38.3
Deductible reserves and consolidation items	13.1	18.7	18.7	21.0	21.5
Supplementary capital	164.7	149.3	54.8	59.3	59.8
Liable capital	341.8	300.5	206.0	209.9	185.3

Equity capital

VerkehrsBank has again bolstered its capital base. During the first quarter of 1999 new shares with a nominal value of Euro 6.4 million were issued, thereby increasing *equity capital* to Euro 57.4 million.

In accordance with the resolution passed by the AGM held on 24 June 1999, the division of equity capital has changed from shares with nominal value to individual shares.

Euro 7.4 million has been set aside, from the annual surplus of Euro 15.5 million, in the form of profit reserves. At the end of 1999 *core capital*, including retained Group income, stood at Euro 177.1 million, and *supplementary capital* at Euro 164.7 million. After the inclusion of recalculated retained income, the Group's *liable capital* stood at Euro 341.8 million.

There has been full compliance with the terms of Sections 10 and 10a of Equity Guideline I of the German Banking Act (Kreditwesengesetz). As at 31 December 1999 the ratio of liable capital to total risk positions, was 8.6 %, in compliance with the legal provisions, which stipulate an 8 % minimum. We aim to increase this percentage to more than 9 % in the future.

Profit trend

The pleasing growth in profits from interest- and commission-based business has led to an increase of 73.1 %, to Euro 29.6 million, in the *operating result before risk provisions*. Thus we can post *pre-tax profits* of Euro 22 million (Euro 6.7 million in the previous year), once risk provisions have been taken into consideration.

The *surplus from commission-based transactions*, which increased by 22.5 % to Euro 72.9 million, accounted for a considerable share of this. This rise mainly came from Structured Financing, ReiseBank and Central Banking. Almost 50 % of the increase in profits from commission-based transactions, namely Euro 4.9 million, was generated solely from a substantial rise in credit commission.

The 28.5 % increase in the *surplus from interest-based business*, which rose to Euro 47.4 million, was a result of markedly higher business volumes. *Net profits from financial transactions* amounted to Euro 11 million, representing a 16 % decrease in the

	1999 million Euro	1998 million Euro	Change million Euro	%
Surplus from interest-based business	47.4	36.9	+10.5	+28.5
Surplus from commission-based business	72.9	59.5	+13.4	+22.5
Net profit from financial transactions	11.0	13.1	-2.1	-16.0
Administration costs (including depreciation)	105.0	91.3	+13.7	+15.0
Staff costs	48.8	46.6	+2.2	+4.7
Material expenditure	50.4	39.1	+11.3	+28.9
Depreciation	5.8	5.6	+0.2	+3.6
Balance – miscellaneous operating profits/expenditure	+3.3	-1.1	–	–
Operating result before risk provision	29.6	17.1	+12.5	+73.1
Risk provisions for loan business	7.0	8.3	-1.3	-15.7
Balance – sundry profits/expenditure	-0.6	-2.1	–	–
Pre-tax profits	22.0	6.7	+15.3	+228.4

extremely good result achieved during the previous year. Foreign currency, precious metals and numismatics made a significant contribution to this result; securities trading, money and currency trading were unable to sustain the result achieved in the previous year.

At Euro 105 million, Group-wide *administrative costs (including depreciation)* were 15 % higher in 1999 than in the previous year. Whereas the increase in *staff costs*, which rose by just 4.7 % to Euro 48.8 million, was fairly moderate, despite the appointment of additional financial and transport specialists, we posted a 28.9 % increase in *material expenditure*, which rose to Euro 50.4 million. The main reason for this was the investment programme, initiated in

support, the cost of which exceeded Euro 3 million. Transaction-related costs in the securities sector rose in line with higher trading volumes. In spite of this, we managed to reduce the *cost-income ratio* to 77.9 %, compared with 85 % in the previous year, thanks to the favourable trend in profits.

Net expenditure on *risk provisions for credit transactions* fell by 15.7 % to Euro 7 million, compared with the previous year. At 23.6 %, the negative impact of these provisions on the operating result was less than in the previous year, when the figure stood at 48.5 %. Our aim is to decrease this

	1999 million Euro	1998 million Euro
New allocations to value adjustments	19.6	15.2
Write-backs	12.6	6.5
Net allocation in respect of loan business	7.0	8.7
Hidden-risk reserve	—	–0.4
Valuation result from loan business	7.0	8.3
Valuation result Securities solvency fund	+0.7	+0.2
Profit-and-loss-account risk provisions	6.3	8.1

1999, to restructure our IT applications profile. We invested over Euro 2.5 million in 1999 in hardware and software. The introduction of SAP and measures associated with Y2K compliance necessitated the use of external

ratio still further by restructuring the lending portfolio.

At the end of 1999 total value adjustments stood at Euro 95.6 million, compared with Euro 97.7 million in the previous year.

Annual surplus and profit apportionment

The *annual surplus* for the Group rose by 212.3 % to Euro 15.5 million. This result means that we can proposed at the AGM of Deutsche VerkehrsBank AG to pay a *dividend* of Euro 3.60 per individual share. Together with a corporation tax credit of Euro 1.54 per share, the total yield for our domestic shareholders is Euro 5.14 per individual share. This corresponds to a dividend yield of 5.4 %, based on a year-end rate of Euro 94.50.

A pre-tax equity yield of 13.4 % for the 1999 business year signalled a significant improvement, despite the strong increase in underlying core capital. Consequently, this yield, which is now an extremely important management yardstick for us, is on course to achieve our objective of over 15 % by the year 2002.

At the end of 1999 VerkehrsBank employed a workforce of 804 Group-wide, 30 more than in the previous year, which was attributable to an increase in staffing levels at our subsidiary companies, ReiseBank AG and CashExpress GmbH.

At the end of the year under review, the Bank maintained nine domestic (German) branches, a representation in Basle and a branch office in London for corporate business. The Bank also has a representation in New York and a branch in Tokyo, via its subsidiary, International Transport Finance Ltd., based in London.

Corporate Governance Guidelines

Much has been done over the past few years to take more account of investor interests. One example of this is the Control and Transparency of Companies Act (KonTraG), introduced in 1998, which has inter alia laid the foundations for tighter controls on the part of the Supervisory Board and the Annual General Meeting.

This has now been supplemented by Corporate Governance Guidelines, the primary aim of which is to ensure the implementation of duties of information and transparency. The purpose of these guidelines is to create net product-oriented, accountable management and control procedures for companies and company groups. They are also designed to promote and reinforce the trust placed in us by current and future shareholders, outside capital investors, employees, business partners

and the general public in the national and international marketplace. These target groups are becoming increasingly important to VerkehrsBank, in terms of maintaining a stable market position and the development of major business activities in the future.

Capital markets and institutional investors demand greater disclosure and transparency, and it is the aim of VerkehrsBank to institute improvements in this respect.

The German Stock Corporation Act has already met – and consequently regulated – a number of requirements. Corporate Governance Guidelines, however, relate to accountability and responsibilities, duty of information and disclosure, issues such as remuneration and guidelines on how the Board of Managing Directors and Supervisory Board must deal with conflicts of interest. The VerkehrsBank Board of Managing Directors regularly reports on all company matters, within the framework of the annual report and interim reports, ad hoc communiqués and press conferences. Current events, which could significantly affect the stock market value of our shares, are announced immediately. In this connection, wide-ranging compliance procedures are in place to ensure that insider conflicts and conflicts of interest are dealt with in a satisfactory manner.

Our annual report contains a list of the issue dates of major, regular publications (section: VerkehrsBank Shares) and this information is also available from the following Internet address www.verkehrsbank.de. In future our regular financial reporting will become more meaningful due to the inclusion of supplementary information. For example, our report will for the first time include detailed information on affiliated companies, charitable donations, VerkehrsBank shares held by the Board of Managing Directors and the distribution of total emoluments paid to the Board of Managing Directors in accordance with both fixed and variable elements. The relevant information is contained in our appendix.

Risk report

Risk management, aimed at early risk detection, is becoming ever more important, given the increasing complexity of the banking market. We see this as one of our primary tasks. The staff divisions in charge of risk management report directly to the Chairman of the Board of Managing Directors. The major types of risks monitored are market risks, credit risks, liquidity risks and operating risks.

The objective of our *market risk* procedures is to maximise profit opportunities, without disproportionately burdening the Bank's financial resources. The Treasury staff division is responsible for monitoring market risks for the entire Bank. Trading Administration evaluates the market risks associated with trading ledgers. An assets-liabilities management system is used to control the risks involved in interest-bearing transactions throughout the Bank. A steering committee is convened on a weekly basis, advising on the money and capital-market transactions to be performed throughout the Bank. A risk-point system is in place, which actively controls the Bank's interest and currency risks, and risk limits for the various trading areas are checked on a daily basis.

In order to minimise *credit risks*, we operate a strictly risk-orientated lending policy, which involves a careful selection process for contract partners, in compliance with the applicable criteria for creditworthiness assessments; in this context, all contracts are checked by specialist lawyers. Credit monitoring is the task of regional credit centres for domestic (German) corporate customers, with the Structured Finance Division responsible for aviation, shipping and railway as well as infrastructure finance. Creditworthiness and collateral are regularly monitored by

means of prolongation and presentation procedures and external collateral appraisal. Risk analyses always take a borrower's total commitment into consideration. If the borrower is part of a group, creditworthiness and our overall involvement vis-à-vis the group of companies are included in the decision-making process. The risks involved in international business activities are limited, right from the outset, due to the restrictions which apply in terms of national credit limits. These limits have been readjusted to take account of current developments on international financial markets. Management information systems are in place to enhance the transparency of risk structures and provide annual account and sector analyses. Comprehensive controls are in place to ensure the balance of our credit portfolio. Problematic lending commitments are closely scrutinised; our credit risk structure improved during the year under review, as a result of a further decline in this area.

Credit-approval procedures, credit limits and monitoring systems are in place, which monitor not only our traditional lending activities but also the credit risks involved in trading activities. An evaluation of the creditworthiness of each business partner and an assessment of the appropriateness of the

proposed business activity form part of the credit approval procedure, which also includes trading activities.

Credit equivalence for trading activities is calculated on the basis of current market values and also takes account of additional factors used in the assessment of fluctuations in market values, depending on the product involved and the residual term. In addition, the contracting party will, if deemed necessary, deposit collateral in order to reduce the credit risk. In compliance with standard international procedures, we publish the replacement cost of the transactions, in the event of the assumed loss of the trading partner. At year-end, the lending-loss risks involved in all existing derivative transactions (positive market values) amounted to Euro 258 million gross (previous year: Euro 254 million), using the "mark-to-market" calculation method.

In 1999, *liquidity risk* was limited under the provisions of Supervisory Guidelines II and III. New solvency guidelines will be introduced in the year 2000. Our Treasury will be responsible for controlling and ensuring compliance with the supervisory guidelines governing liquidity, within the framework of proactive liquidity management. The liquidity risk, bank-wide, will be analysed and monitored centrally. In order to provide professional liquidity planning and monitoring, the Treasury

will determine inconsistencies in interest and terms, on the basis of liquidity-outflow balances and cash flow forecasts. For this purpose, we use a cash flow management and information system, incorporating the various administrative units within the Group and provides analyses of the cash flow situation. In this context, the primary control tools used are traditional financial transactions. Compliance with the prescribed liquidity guidelines was consistent throughout the year.

Operating risks - Organisational and processing deficiencies can occur in any Bank division. Controls on working procedures, safety measures and – last but not least – the deployment of a qualified workforce ensure that these risks, some of which are covered by insurance, are reduced to a minimum. The increasing use of automation is a major factor in this context. Measures implemented by the VerkehrsBank to counteract this risk include a substantial investment in new IT systems and the ongoing expansion

of the IT structure. The planned introduction of SAP is one example of this. Y2K presented a critical operating risk during the past business year. The conversion of IT systems to ensure Y2K compliance was successfully achieved following a lengthy preparatory phase.

Legal risks may arise, for example, when claims against contracting parties cannot be enforced. We minimise these risks by thoroughly examining contractual bases. We also work together with well-established, experienced international law firms in order to ensure that we are in a position to respond to the complex legal issues of international business.

Operative business - the introduction of Euro currency in the year 2002 will directly affect our foreign exchange dealings. The abolition of eleven, high-volume currencies will have a negative impact on profits. For this reason, we wasted no time in reinforcing our strong market position and have acquired the foreign exchange and bullion dealing divisions of DG BANK, and can now offer our services as a foreign-currency provider to other banks. In the retail sector, the strategy pursued by our subsidiary, ReiseBank, is to expand its key performance area in foreign notes and coins via new distribution channels (mail order, the Internet) and the establishment of new

outlets outside the Euro zone, and also to diversify its product range.

The risks associated with the takeover of Nedship Bank during the second quarter of 2000 have been analysed with the help of international lawyers, auditors and management consultants, within the framework of due-diligence assessments. We anticipate a resurgence in the shipping-finance sector and can thus predict a positive trend in terms of the portfolio – and consequently the value – of the Bank. Internally, Nedship Bank will be closely integrated into our control procedures, whilst retaining its independent legal status.

The comprehensive and integrated control systems within the VerkehrsBank group ensures the early detection of risks, which could have a major impact on profitability, assets and financial status, and the timely introduction of appropriate countermeasures. Such risks are not identifiable within the VerkehrsBank group of companies.

Transactions after

31st December 1999

As of 1 January 2000, the New York representation of our subsidiary company, International Transport Finance Ltd., became a VerkehrsBank representation.

100 % ownership of Nedship Bank is scheduled for the beginning of April 2000. In consequence, the Group will assume approximately Euro 2.2 billion in risk assets, requiring a substantial increase in our equity base. At the Extraordinary General Meeting held on 8 March 2000, we asked our shareholders to approve a range of financial measures, designed to provide the Bank with scope to issue participating rights and subordinated funding. It is our intention to increase equity by Euro 19.3 million to Euro 76.7 million capital, by issuing 754,000 new bearer shares; to create new authorised capital totalling Euro 25 million and to issue participation certificates to a maximum amount of Euro 100 million. Without changing shareholder structure, we will open up the Group to other investors by way of dormant holdings, totalling Euro 77.5 million.

As a member of the DG BANK Group, we have a responsibility to act as a centre of competence for the transport industry. In view of our position, we have decided to modify our distribution structure during the year 2000 and to merge Domestic Corporate Business with Structured Financing, to create an industry-oriented structure, consisting of Aviation, Shipping, Land Transport and Infrastructure. The next major step will be taken during the current year, when non-transport-related business, which has been the subject of an ongoing risk and profitability review over the past two years, will be hived off.

No other transactions which would have a major impact on the assessment of the profitability, assets and financial status of the Deutsche VerkehrsBank AG or the Group, occurred after the close of the 1999 business year. Business activities during the initial months of the 2000 business year confirm the statements made under 'Future Prospects'.

Future prospects

In our view, international trade will undoubtedly continue to recover, particularly in Asia, in the year 2000. This optimism has been documented by the record highs enjoyed on the world's stock markets since the end of 1999. Transport markets and transport providers will continue to benefit from this upswing in international trade, albeit experiencing differing growth rates.

The competition between transport service providers will remain tough. The massive wave of mergers and take-overs seen in 1999 will continue during the current year. We predict increased consolidation on an international level, especially in the international freight-forwarding sector.

Over the coming years, finance will become an increasingly important factor in the transport industry, which is becoming ever more private-sector oriented. Investment in new transport technology, new infrastructure concepts, as well as investment requirements for logistics projects, are attaining new dimensions and demand new types of finance and financial tools. In our role as financial advisors to the transport industry, we accept this challenge and intend to build on our position as a quality market leader in the aviation, shipping, land transport and infrastructure sectors. Consequently high priority will be given

during the current year to the integration of Nedship Bank into the VerkehrsBank Group, in order to ensure its successful incorporation. We will continue to extend internal risk monitoring and control tools, in line with higher business volumes.

VerkehrsBank has made the transition from capital provider to international capital borrower. The intensification of our relationship with international capital markets will be an additional feature of our activities during the current year. In our role as central bank, we will also need to rise to the challenges facing us, given the greater demands placed on us by Sparda customers. Our commercial activities will serve to support the other business segments and serve to enhance service quality for the Sparda banks.

The Board of Managing Directors expects profits in the current business year to continue to grow in line with those of the previous year. This expectation is based on an increase in revenue from corporate business activities and higher yields from other business segments and subsidiary companies. Following a period of strong growth in business volumes, as a result of acquisitions, VerkehrsBank is now entering its next development phase: the optimisation of credit portfolios and commission/interest ratios. We are confident of meeting these targets, leading to a sustained improvement in the overall result.

The Deutsche VerkehrsBank is affiliated to the DG BANK Deutsche Genossenschaftsbank and its group of companies, under the terms of Sections 15 and 18 of the German Stock Corporation Act.

The Deutsche VerkehrsBank has been included and consolidated in the group accounts of the DG BANK Deutsche Genossenschaftsbank as at 31st December 1999.

In accordance with the provisions of Section 312 of the German Stock Corporation Act, the Board of Managing Directors and Supervisory Board have reported separately on the relationship with affiliated companies, and have declared the following:

“ In accordance with the prevailing conditions known to the Board of Managing Directors on the date of such legal transactions as are the subject of mandatory reporting, our Company has received a commensurate return in all cases. No measures, with a mandatory reporting requirement have either been taken or omitted by the Board of Managing Directors during the year under review.”



ASSETS (IN EURO 1,000)

		1999	1998
1. Cash on hand and at banks			
a) Cash on hand	86,488		63,580
b) Deposits at central banks	926,424		76,462
of which: at Deutsche Bundesbank	926,424		76,462
c) Deposits at Post Office Bank	146		260
		1,013,058	140,302
2. Debt instruments of public bodies and bills of exchange eligible for refinancing at central banks			
a) Treasury bills, discountable treasury notes and similar debt instruments of public bodies	—		—
of which: eligible for refinancing at Deutsche Bundesbank	—		—
b) Bills of exchange	11,046		—
		11,046	—
of which: eligible for refinancing at Deutsche Bundesbank	11,046		—
3. Receivables due from banks			
a) payable on demand	163,903		1,850,016
b) other receivables	1,062,272		1,211,409
		1,226,175	3,061,425
4. Receivables due from customers		3,370,421	2,433,512
of which: secured by mortgages	—		—
loans to local authorities	295,310		359,193
5. Bonds and other fixed-interest securities			
a) Money-market instruments			
aa) issued by public sector	—		—
ab) by other issuers	—		—
b) Bonds and notes			
ba) issued by public sector	19,010		23,222
of which: eligible as collateral at Deutsche Bundesbank	19,010		55
bb) by other issuers	920,413		615,979
of which: eligible as collateral at Deutsche Bundesbank	424,435	939,423	351,143
c) Own bonds	—		—
		939,423	639,201
Nominal amount	—		—
6. Shares and other variable-interest securities		236,488	226,549
7. Stakeholdings			
a) Stakeholdings	11,965		11,620
of which: in lending banks	450		3,071
b) Deposits at co-operative banks	28		28
		11,993	11,648
of which: in credit co-operatives	26		26
8. Shares in associated companies		1,009	1,007
of which: in lending banks	—		—
in financial-service providers	—		—
9. Intangible assets		630	—
10. Tangible assets		13,510	15,063
11. Miscellaneous assets		39,649	24,886
12. Accruals and deferrals		11,551	11,523
Total assets		6,874,953	6,565,116

LIABILITIES (IN EURO 1,000)

			1999	1998
1. Payables due to lending banks				
a) on demand	1,295,195			1,531,808
b) with agreed term or period of notice	<u>2,674,773</u>			<u>2,046,813</u>
			3,969,968	3,578,621
2. Payables due to customers				
a) Savings deposits				
aa) with an agreed period of notice of three months	—			—
ab) with an agreed period of notice of more than three months	<u>—</u>	—		<u>—</u>
b) Other payables				
ba) on demand	963,788			1,041,708
bb) with agreed term or period of notice	<u>786,002</u>	1,749,790		<u>827,303</u>
			1,749,790	1,869,011
3. Liabilities in certificate form				
a) Bonds issued	688,487			716,757
b) other certificated liabilities	<u>—</u>			<u>53,149</u>
			688,487	769,906
of which: money-market instruments	—			—
own acceptances and promissory notes in circulation	—			53,149
4. Miscellaneous payables			79,852	13,131
5. Accruals and deferrals			5,505	6,625
6. Provisions				
a) Provisions for pensions and similar obligations	7,624			6,979
b) Tax provisions	4,824			2,503
c) Other provisions	<u>28,108</u>			<u>28,078</u>
			40,556	37,560
7. Special item with the character of a provision			2,829	524
8. Subordinated liabilities			63,322	44,000
9. Profit-participation certificates			89,476	89,476
of which: due within two years	—			—
10. Equity capital				
a) Subscribed capital	57,418			51,036
b) Capital reserve	59,394			47,302
c) Profit reserves				
ca) statutory reserve	1,790			1,790
cb) other profit reserves	<u>58,480</u>			<u>51,129</u>
		60,270		
d) Balance-sheet profit	<u>8,086</u>			<u>5,005</u>
			185,168	156,262
Total liabilities			<u>6,874,953</u>	<u>6,565,116</u>
Contingent liabilities				
a) Contingent liabilities from rediscounted bills of exchange	—			21,281
b) Liabilities arising from guarantees and warranties	407,155			426,950
c) Liabilities from the provision of collateral on behalf of third parties	<u>—</u>			<u>—</u>
			407,155	448,231
Other liabilities				
a) Arising from the sale of assets subject to repurchase agreements	—			—
b) Placement and underwriting commitments	—			—
c) Irrevocable loan agreements	<u>416,366</u>			<u>160,693</u>
			416,366	160,693

DEUTSCHE VERKEHRSBANK GROUP
 PROFIT AND LOSS ACCOUNT
 FOR THE PERIOD
 1 JANUARY TO 31 DECEMBER 1999

EXPENDITURE (IN EURO 1,000)

			1999	1998
1. Interest costs			230,757	166,346
2. Commission costs			5,601	3,193
3. General administrative costs				
a) Staff costs				
aa) Wages and salaries	39,731			37,806
ab) Social-security and pension contributions and charges for other benefits		9,072		8,788
of which: pensions	2,591	48,803		2,402
b) Other administrative costs		50,386		39,104
			99,189	85,698
4. Depreciation and value adjustments on tangible and intangible assets			5,765	5,570
5. Miscellaneous operating costs			3,248	4,799
6. Depreciation and value adjustments on receivables and certain securities, and provisions for possible loan losses			6,320	8,089
7. Depreciation and value adjustments on stakeholdings, shares in associated companies and securities treated as assets			—	1,096
8. Costs from assumption of loss			13	—
9. Allocation to special item with character of a provision			2,305	524
10. Taxes on income and earnings			6,539	1,707
11. Miscellaneous taxes not shown under miscellaneous operating costs			756	750
12. Surplus for the year			15,535	4,974
Total expenditure			376,028	282,746
Surplus for the year			15,535	4,974
Loss/Profit carried over from previous year			— 98	31
			15,437	5,005
Withdrawals from profit reserves				
a) from statutory reserve	—			—
b) from other reserves	—			—
			—	—
Allocations to profit reserves				
a) to statutory reserve	—			—
b) to other reserves	7,351			—
			7,351	—
Balance-sheet profit			8,086	5,005

INCOME (IN EURO 1,000)

		1999	1998
1. Interest income from			
a) loan and money-market business	229,644		161,565
b) fixed-interest securities and registered loans	<u>35,830</u>		<u>28,268</u>
		265,474	189,833
2. Current income from			
a) Shares and other variable-interest securities	12,405		13,004
b) Stakeholdings and deposits at co-operative banks	<u>285</u>		<u>414</u>
		12,690	13,418
3. Commission income		78,509	62,722
4. Net income from financial transactions		11,026	13,102
5. Income from write-ups on stakeholdings, shares in associated companies and securities treated as assets		1,785	—
6. Miscellaneous operating income		<u>6,544</u>	<u>3,671</u>
Total income		<u>376,028</u>	<u>282,746</u>

ASSETS (IN EURO 1,000)

		1999	1998
1. Cash on hand and at banks			
a) Cash on hand	45,050		25,887
b) Deposits at central banks	926,089		76,017
of which: at Deutsche Bundesbank	926,089		76,017
c) Deposits at Post Office Banks	—		
		971,139	101,904
2. Debt instruments of public bodies and bills of exchange eligible for refinancing at central banks			
a) Treasury bills, discountable treasury notes and similar debt instruments of public bodies	—		—
of which: eligible for refinancing at Deutsche Bundesbank	—		
b) Bills of exchange	11,046		—
		11,046	—
of which: eligible for refinancing at Deutsche Bundesbank	11,046		
3. Receivables due from banks			
a) payable on demand	160,035		1,876,479
b) other receivables	1,079,234		1,211,409
		1,239,269	3,087,888
4. Receivables due from customers		3,000,985	2,166,623
of which: secured by mortgages	—		—
loans to local authorities	295,310		359,193
5. Bonds and other fixed-interest securities			
a) Money-market instruments			
aa) issued by public sector	—		—
ab) by other issuers	—		—
b) Bonds and notes			
ba) issued by public sector	19,010		23,222
bb) by other issuers	908,171		615,979
of which: eligible as collateral at Deutsche Bundesbank	424,435	927,181	351,143
c) Own bonds	—		—
		927,181	639,201
Nominal amount	—		—
6. Shares and other variable-interest securities		236,488	226,549
7. Stakeholdings			
a) Stakeholdings	11,965		11,619
of which: in lending banks	450		3,071
b) Deposits at co-operative banks	28		28
		11,993	11,647
of which: at credit co-operatives	26		26
8. Shares in associated companies		6,262	6,185
of which: in lending banks	5,113		5,113
in financial-service providers	128		51
9. Tangible assets		6,771	9,614
10. Miscellaneous assets		36,866	22,022
11. Accruals and deferrals		4,582	5,693
Total assets		6,452,582	6,277,326

LIABILITIES (IN EURO 1,000)

			1999	1998
1. Payables due to lending banks				
a) on demand	1,269,893			1,531,674
b) with agreed term or period of notice	<u>2,257,018</u>			<u>1,766,048</u>
			3,526,911	3,297,722
2. Payables due to customers				
a) Savings deposits				
aa) with an agreed period of notice of three months	—			—
ab) with an agreed period of notice of more than three months	<u>—</u>	—		—
b) Other payables				
ba) on demand	971,384			1,041,708
bb) with agreed term or period of notice	<u>806,944</u>	1,778,328		<u>827,302</u>
			1,778,328	1,869,010
3. Liabilities in certificate form				
a) Bonds issued	688,487			716,757
b) Other certificated liabilities	<u>—</u>			<u>53,149</u>
			688,487	769,906
of which: money-market instruments	—			
own acceptances and promissory notes in circulation	—			53,149
4. Miscellaneous payables			80,088	13,023
5. Accruals and deferrals			4,325	5,914
6. Provisions				
a) Provisions for pensions and similar obligations	7,579			6,947
b) Tax provisions	4,467			2,450
c) Other provisions	<u>22,113</u>			<u>22,505</u>
			34,159	31,902
7. Special item with the character of a provision			2,829	524
8. Subordinated liabilities			63,323	44,000
9. Profit-participation certificates			89,476	89,476
of which: due within two years	—			
10. Equity capital				
a) Subscribed capital	57,418			51,036
b) Capital reserve	59,394			47,302
c) Profit reserves				
ca) statutory reserve	1,278			1,278
cb) other profit reserves	<u>58,480</u>			<u>51,129</u>
		59,758		
d) Balance-sheet profit	<u>8,086</u>			<u>5,104</u>
			184,656	155,849
Total liabilities			<u>6,452,582</u>	<u>6,277,326</u>
Contingent liabilities				
a) Contingent liabilities from rediscounted bills of exchange	—			21,280
b) Liabilities arising from guarantees and warranties	815,579			705,051
c) Liabilities from the provision of collateral on behalf of third parties	<u>—</u>			<u>—</u>
			815,579	726,331
Other liabilities				
a) Arising from the sale of assets subject to repurchase agreements	—			—
b) Placement and underwriting commitments	—			—
c) Irrevocable loan commitments	<u>363,514</u>			<u>144,441</u>
			363,514	

DEUTSCHE VERKEHRSBANK AG
 PROFIT AND LOSS ACCOUNT
 FOR THE PERIOD
 1 JANUARY TO 31 DECEMBER 1999

EXPENDITURE (IN EURO 1,000)

			1999	1998
1. Interest costs			203,771	164,302
2. Commission costs			3,852	3,157
3. General administration costs				
a) Staff costs				
aa) Wages and salaries	24,980			24,414
ab) Social-security and pension contributions and charges for other benefits		6,163		5,914
of which: pensions	2,198	31,143		1,995
b) Other administrative costs		37,530		27,355
			68,673	57,683
4. Depreciation and value adjustments on tangible and intangible assets			3,376	3,730
5. Miscellaneous operating costs			2,900	3,956
6. Depreciation and value adjustments on receivables and certain securities, and provisions for possible loan losses			6,320	8,089
7. Depreciation and value adjustments on stakeholdings, shares in associated companies and securities treated as assets			—	1,096
8. Costs from assumption of loss			13	350
9. Allocation to special item with character of a provision			2,305	524
10. Taxes on income and earnings			5,805	1,654
11. Miscellaneous taxes not shown under miscellaneous operating costs			756	745
12. Surplus for the year			15,437	5,073
Total expenditure			313,208	250,359
Surplus for the year			15,437	5,073
Profit carried over from previous year			—	31
			15,437	5,104
Withdrawals from profit reserves			—	—
Allocations to profit reserves				
a) to statutory reserve	—			—
b) to other reserves	7,351			—
			7,351	—
Balance-sheet profit			8,086	5,104

INCOME (IN EURO 1,000)

		1999	1998
1. Interest income from			
a) loan and money-market business	199,849		160,636
b) fixed-interest securities and registered loans	35,439		28,268
		235,288	188,904
2. Current income from			
a) shares and other variable-interest securities	12,405		13,004
b) Stakeholdings and deposits at co-operative banks	285		414
c) Shares in associated companies	1,084		—
		13,774	13,418
3. Income from profit pooling, profit-transfer or partial-profit-transfer agreements		12,395	8,129
4. Commission income		30,137	21,231
5. Net income from financial transactions		11,129	13,102
6. Income from write-ups on stakeholdings, shares in associated companies and securities treated as fixed assets		1,787	—
7. Miscellaneous operating income		8,698	5,575
Total income		313,208	250,359





Notes on the Accounts (Group and AG) as of 31 December 1999

Preliminary remarks

The Financial Statements of Deutsche VerkehrsBank (AG and Group) for the 1999 business year have been drawn up in accordance with the regulations contained in the German Commercial Code (HGB) together with the Bank Accounting Directive (RechKredV) and the rules of the German Stock Corporation Act (AktG).

The Notes on the Accounts for Deutsche VerkehrsBank AG and Group have been combined; all notes apply to both financial statements unless indicated otherwise.

The balance sheet has been itemised to accommodate the subsections required for regional co-operative banks.

The Notes on the Accounts contain general explanatory notes on the balance sheet and Profit and Loss Account.

Use has been made of the offsetting arrangements allowed in the Commercial Code (HGB) and the Bank Accounting Directive (RechKredV).

Consolidated companies

Consolidated companies under the terms of Section 294 of the Commercial Code include ReiseBank AG of Frankfurt am Main, CashExpress GmbH of Frankfurt am Main and International Transport Finance Ltd. (ITFL) of London. Deutsche VerkehrsBank AG owns 100% of the shares in each of these companies.

Under the terms of Section 296 Paragraph 2 of the Commercial Code, three companies have not been included in the Group Financial Statement, due to their minor significance. These companies are: Zweite GfW Gesellschaft für Waggonleasing mbH & Co. KG of Berlin, DVL Deutsche Verkehrs-Leasing GmbH of Eschborn and LDZ Weil am Rhein Finanzberatung GBR of Weil am Rhein.

Two further associated companies, Crosby Court GmbH & Co. KG of Eschborn and EFHATC Tankcontainer Vermietungs GmbH & Co. KG of Hamburg, have not been included in the Group Accounts due to limited voting rights and lack of integrated management.

Principles of consolidation

Annual closure of accounts for all companies included in the Group Financial Statement is the same day as that for the Group.

Capital consolidation has been carried out on the book-value method. Acquired stakeholding equity has been offset against its purchase costs at the time of acquisition. There are no balancing items on either the assets or liabilities side.

Accounting and valuation methods

The uniform accounting and valuation methods of Deutsche VerkehrsBank AG have been used for the companies included in the Group Accounts.

Receivables (Asset Items 3 and 4) are shown at their nominal value. Adequate risk provision has been made for receivables at risk. An all-inclusive provision has been made for concealed risks involving loan business, calculated in proportion to loan defaults over the five previous business years. Premiums paid and discounts received are shown on the balance sheet as accruals and deferrals and are collected or released over the period of the capital commitment.

Fixed-interest securities under capital and current assets (Asset Item 5) and *special funds* (Asset Item 6) have been valued on the lowest-value principle (purchase cost or market value). The value-recovery rule has been applied (Tax Allowances Act (Steuerentlastungsgesetz) for 1999/2000/2002; Section 280, Paragraph 1 of the Commercial Code) and use made of the right to form tax-free provisions.

Stakeholdings (Asset Item 7) are shown on the balance sheet at their purchase price or lower attributable value if lower.

Tangible Assets (AG: Asset Item 9, Group: Asset Item 10) are shown on the balance sheet at their production or purchase costs less depreciation pro rata temporis. Acquisitions of movable assets have been depreciated on the declining-balance method. Full annual depreciation has been applied to accruals in the first six months, and half annual depreciation to accruals in the second six months. Low-value assets have been depreciated fully in their year of acquisition.

A fixed value has been determined for the *inventories of printed forms*.

Payables (Liabilities Items 1 and 2) are shown at repayment cost.

Reserves for pensions (Liabilities Item 6) are shown at fractional value in accordance with an actuarial report. These calculations are based on Dr. Klaus Heubeck's 1999 „Guideline Tables“, interest rate calculated at 6.5% per annum. In agreement with Directive 3/98 of the Institute of Public Accounts (HFA) for the 1999 business year, the Bank has allocated a further 25% of the discrepancy (Euro 140,000)

arising in the previous year from the calculation of pension reserves according to the old guideline tables of 1983. All other reserves are so calculated as to reflect all recognisable risks.

Anniversary-celebration reserves have been funded at their tax-allowable value.

The *Special item with the character of a provision* (Liabilities Item 7), formed in 1998 under the terms of Section 6b of the Income Tax Act (EstG), has been continued. An additional Special item with the character of a provision under the terms of Section 52, Paragraph 16, Clause 3 of the Income Tax Act has been formed as a tax-free provision for the increased value of securities and will be dissolved in accordance with statutory requirements.

Conversion of receivables and payables in *foreign currency* and pending cash transactions has been made at spot price in accordance with Directive 3/1995 of the Banking Committee of the Institute of Public Accounts (BFA); conversion of unsettled forward trades has been made at the forward price. For covered positions note has been taken of conversion results in the profit and loss account. Unless these positions have particular coverage, profits are compensated with any conversion losses in the same currency.

Stakeholdings and fixed assets held in foreign currency have been converted at their historical purchase costs. Results of foreign subsidiaries and own foreign branches have been converted at average monthly rates.

Derivative financial instruments have been valued on the principles enshrined in Directives 2/93 and 2/95 of the Banking Committee of the Institute of Public Accounts, applying Section 340 h of the Commercial Code. Valuation units have been constructed using objective factors and selected financial instruments of a traditional kind. The principle of loss-free valuation has been applied to hedged positions.

Foreign notes and coins have been valued at the Bank Bid Rate.

The annual results of associated companies under multiple ownership have been allocated in parallel to the AG by way of profit-and-loss transfer or in pursuance of corresponding shareholders' resolutions.

Notes on balance-sheet items

The *cash reserve* (Asset Item 1) contains Euro 800 million of last-day-of-month liquidity, which sum is invested at the Regional Bundesbank Office as day-to-day money for reasons of security of disposition.

Other *receivables due from banks* with an agreed term or agreed notice (Asset Item 3) have a residual term of:

	AG Euro million	Group Euro million
Less than three months	491.2	507.5
At least three months but less than one year	259.8	259.9
At least one year but less than five years	163.4	132.7
Five years or more	164.8	162.2

The total sum of uncertificated receivables due to the AG and Group contains receivables due from associated companies amounting to Euro 195.6 million AG (Group: Euro 158.5 million), including Euro 157.1 million from DG BANK Deutsche Genossenschaftsbank of Frankfurt am Main, Euro 1.5 million from DG DISKONTBANK of Frankfurt am Main, Euro 37.1 million from ReiseBank AG of Frankfurt am Main and receivables due from the affiliated Sparda banks amounting to Euro 429.6 million.

Uncertificated receivables from companies in which there is a stakeholding amount to Euro 1.5 million.

There are no subordinated claims.

Receivables due from customers (Asset Item 4) have a residual term or notice of:

	AG Euro million	Group Euro million
Payable on demand	101.9	98.1
Less than three months	345.0	343.1
More than three months but less than one year	182.1	207.0
More than one year but less than five years	890.1	1,136.7
Five years or more	1,481.9	1,585.5

The total sum due to the AG covers uncertificated receivables from associated companies amounting to Euro 187.8 million and receivables from companies where there is a stakeholding amounting to Euro 32.4 million. In the Group Euro 20.9 million is accounted for by receivables due from associated companies. These receivables contain Euro 11.5 million of subordinated company loans to associated companies.

NOTES ON THE ACCOUNTS (GROUP AND AG)
AS OF 31 DECEMBER 1999

As of the end of 1999 loan

business amounted in volume to Euro
5,118.3 million, divided as follows:

Loans and bonds contains a secu-
rity in the sum of Euro 25 million

	1999 Euro million	1998 Euro million	Change Euro million	%
Bills of exchange	11.0	21.3	-10.3	-48.4
Book loans to banks	1,226.2	3,061.4	-1,835.2	-59.9
Receivables from customers	3,468.0	2,531.6	+936.4	+37.0
Guaranteed loans	413.1	439.3	-26.2	-6.0
Loan volume	5,118.3	6,053.6	-935.3	-15.5

These volume figures cover Euro
2,885.8 million or 56.4 % to domestic
(German) borrowers and Euro 2,232.5
million or 43.6 % to foreign borrowers.

accepted in the course of loan business.
The sum of Euro 25.2 million has
been transferred by way of a genuine
pension transaction.

*Bonds and other fixed-interest
securities* of the AG (Asset Item 5)
contains securities eligible for stock-
market trading amounting to Euro
927.0 million, of which Euro 878.5
million is stock-market traded.
These securities have been assessed
at lowest value.

Euro 63.8 million of bonds and
other securities out of the total will be
due in 2000.

The total sum includes loans and
bonds of associated companies amoun-
ting to Euro 156.3 million.

*Shares and other variable-
interest securities* of the AG (Asset
Item 6), amounting to Euro 236.5
million, contains securities eligible for
stock-market trading in the sum of
Euro 1.2 million. It also shows pro-
prietary rights in four special funds
under capital assets amounting to
Euro 235.3 million.

Stakeholdings

Stakeholdings held by Deutsche VerkehrsBank at closure of accounts under the terms of Section 285, No. 11 and Section 313, Paragraph 2 of the Commercial Code cover the following companies:

	Percentage holding %	Share capital of company Euro	Annual result Euro	Equity Euro
ReiseBank AG, Frankfurt am Main ¹⁾	100	5,624,211	0	5,624,211
CashExpress Gesellschaft für Finanz- und Reisedienstleistungen mbH, Frankfurt am Main ¹⁾	100	127,823	0	127,823
International Transport Finance Limited, London	100	14,780	1,182,355 ²⁾	1,197,135
Crosby Court GmbH & Co. KG, Eschborn	100	102,258	–3,362,590 ³⁾	–3,260,332
Zweite GfW Gesellschaft für Waggonleasing mbH & Co. KG, Berlin	99.5	5,113	16,102	21,215
EFHATC Tankcontainer Vermietungs GmbH & Co. KG, Hamburg	90	1,533,876	–2,448,701 ³⁾	–914,825
DVL Deutsche Verkehrs-Leasing GmbH, Eschborn	39	2,556,459	–816,587	1,739,872
LDZ Weil am Rhein, Finanzberatung GBR, Weil am Rhein	33.3	767	0	767

1) There is a profit transfer agreement with Deutsche VerkehrsBank.

2) Parallel distribution of annual profits to Deutsche VerkehrsBank.

3) After taking special depreciation into account.

NOTES ON THE ACCOUNTS (GROUP AND AG)
AS OF 31 DECEMBER 1999

In addition Deutsche VerkehrsBank
has stakeholdings in the following
companies:

	Percentage holding %
KRAVAG-HOLDING AG, Hamburg	10.00
GVZ-Entwicklungsgesellschaft Trier mbH, Trier	5.00
GVZ-Entwicklungsgesellschaft Koblenz mbH, Koblenz	4.96
GVZ-Entwicklungsgesellschaft Glauchau mbH, Glauchau	4.34
GVZ Hafen Nürnberg GmbH & Co. KG, Nürnberg	4.34
Österreichische Verkehrskreditbank AG, Wien	4.00
Union-Fonds-Holding AG, Frankfurt am Main	2.47
GVZ-Entwicklungsgesellschaft Rheine mbH, Rheine	2.00
BNL-Beteiligungsgesellschaft Neue Länder GmbH & Co. KG	0.34
Liquiditäts-Konsortialbank GmbH, Frankfurt am Main	0.23
Deutsche Börse AG, Frankfurt am Main	0.13

Tangible and financial assets
Statement of asset accruals
and disposals – AG

	Purchase and production costs			Total allocations Euro '000	Allocations for business year Euro '000	Total depreciation Euro '000	Depreciation for business year Euro '000	Residual book value 31.12.1999 Euro '000
	01.1.1999 Euro '000	Accruals Euro '000	Disposals Euro '000					
Securities treated as assets	239,795	13,216	0	4,253	4,253	6,518	902	250,746
Stakeholdings and commercial credits at cooperatives	12,328	1,731	1,386	0	0	680	0	11,993
Stakeholdings in associated companies	6,185	77	0	0	0	0	0	6,262
Property and buildings	5,988	0	5,311	0	0	422	38	255
Works and office equipment	20,057	3,755	4,027	0	0	13,269	3,337	6,516
Tangible assets	26,045	3,755	9,338	0	0	13,691	3,375	6,771
	284,353	18,779	10,724	4,253	4,253	20,889	4,277	275,772

Statement of asset accruals
and disposals – Group

	Purchase and production costs							
	01.01.1999	Accruals	Disposals	Total	Allocations for	Total	Depreciation for	Residual book
	Euro '000	Euro '000	Euro '000	allocations	business year	depreciation	business year	value 31.12.1999
				Euro '000	Euro '000	Euro '000	Euro '000	Euro '000
Securities treated as assets	239,795	35,988	11,126	4,848	4,848	6,518	902	262,987
Stakeholdings and commercial credits and cooperatives	12,328	1,731	1,386	0	0	680	0	11,993
Stakeholdings in associated companies	1,006	3	0	0	0	0	0	1,009
Intangible assets	0	649	0	0	0	19	19	630
Property and buildings	5,988	0	5,311	0	0	422	38	255
Works and office equipment	30,654	7,573	4,576	0	0	20,396	5,708	13,255
Tangible assets	36,642	7,573	9,887	0	0	20,818	5,746	13,510
	289,771	45,944	22,399	4,848	4,848	28,035	6,667	290,129

Euro 8.7 million of *stakeholdings* (Asset Item 7) are eligible for stock-market trading but not traded. Euro 5.1 million of *shares in associated companies* of the AG (Asset Item 8) are eligible for stock-market trading but not traded. The commercial building (Euro '000 254.8) is in own use. Some parts of the premises are let to outside tenants. *Miscellaneous assets* for the Group (Asset Item 11) amounting to Euro 39.6 million contains inter alia stocks of precious-metal bullions and gold and silver medallions amounting to Euro 14.5 million, tax-rebate claims amounting

to Euro 2.4 million and option premiums amounting to Euro 18.4 million (see the next table).

Accruals and deferrals (Group: Asset Item 12, AG: Asset Item 11) contains inter alia Euro 11.6 million of discounts shown on the assets side under the terms of Section 268, Paragraph 6 of the Commercial Code in the sum of Euro 2.7 million (AG: Euro 1.2 million) and premiums posted under the terms of Section 340e, Paragraph 2 in the sum of Euro 8.2 million (AG: Euro 2.7 million).

in Euro million	AG		Group	
	1999	1998	1999	1998
Option premiums	18.4	6.6	18.4	6.6
Precious metals	14.5	10.4	14.5	10.4
Tax	2.4	3.5	2.4	3.5
Other assets	1.6	1.5	4.3	4.4
Total	36.9	22.0	39.6	24.9

Payables due to other banks
with an agreed term or agreed notice
(Liabilities Item 1) have a residual
term of:

	AG Euro million	Group Euro million
Up to three months	795.7	1,050.0
More than three months but less than one year	195.6	359.1
More than one year but less than five years	720.0	720.0
More than five years	545.7	545.7

Uncertificated payables due by the
AG to associated companies amount
to Euro 715.2 million. This sum includes
Euro 504.2 million due to DG BANK
Deutsche Genossenschaftsbank of
Frankfurt am Main and Euro 211.0
million due to DG BANK Luxembourg.
Uncertificated payables due to
companies where there is a stake-
holding (Österreichische Verkehrs-
kreditbank AG of Vienna) amount to
Euro 1.1 million.

Total of payables due by the AG
include Euro 1,923.2 million due to
affiliated Sparda banks.

At closure of accounts there were
payables for open-market transactions
covered by securities amounting to
Euro 60.0 million.

Other payables due to customers
with an agreed term or agreed notice
(Liabilities Item 2) have a residual term
of:

	AG Euro million	Group Euro million
Up to three months	407.1	386.1
More than three months but less than one year	7.7	7.8
More than one year but less than five years	62.3	62.3
More than five years	329.8	329.8

At closure of accounts payables from the freight-compensation procedure amounted to Euro 83.1 million (31 December 1998: Euro 65.2 million).

The total includes uncertificated payables of Euro 2.0 million due to associated companies and Euro 17.7 million due to companies where there is a stakeholding.

Of *certificated payables* (Liabilities Item 3) in the Group and AG amounting to Euro 688.5 million, Euro 51.4 million are due in the following year.

Debenture issues are shown as bearer securities. The total includes payables due to associated companies (DG BANK) of Euro 301.7 million.

Miscellaneous payables for the Group (Liabilities Item 4) amounting to Euro 79.9 million shows inter alia Euro 5.8 million interest on participation capital and premiums received from caps and floors of Euro 18.8 million (see the next table).

Accruals and deferrals for the Group (Liabilities Item 5) amounting to Euro 5.5 million include inter alia discounts on loans either purchased or granted directly in the sum of Euro 5.1 million.

in Euro million	AG		Group	
	1999	1998	1999	1998
Foreign-exchange valuation	52.0	0.4	52.0	0.4
Option premiums	19.1	7.5	18.8	7.5
Interest on participation capital	5.8	3.9	5.8	3.9
Other Payables	3.1	1.2	3.3	1.3
Total	80.0	13.0	79.9	13.1

Reserves (Liabilities Item 6) have been formed totalling Euro 40.6 million (Group) and Euro 34.2 million (AG).

Other reserves cover the following items:

Deutsche VerkehrsBank AG has no duty of early repayment for any

in Euro million	AG		Group	
	1999	1998	1999	1998
Credit risks	11.8	14.1	11.8	14.1
Staff remuneration	4.3	4.0	7.2	7.0
Other payables	6.0	4.4	9.1	7.0
Total	22.1	22.5	28.1	28.1

Tax reserves amounted to Euro 4.8 million for the Group and Euro 4.5 million for the AG.

Subordinated payables due by the AG (Liabilities Item 8) amounting to Euro 63.3 million contain the following issues:

Amount in Euro	Currency	Interest rate in %	Due
10,225,837.62	Euro	5.24	20.10.2008
10,000,000.00	Euro	5.12	24.03.2009
5,112,918.81	Euro	5.24	20.10.2008
5,112,918.81	Euro	5.14	16.09.2008
5,112,918.81	Euro	5.12	16.09.2008
5,112,918.81	Euro	5.23	10.09.2008
3,500,000.00	Euro	5.55	24.06.2011
2,556,459.41	Euro	5.06	26.11.2008
2,556,459.41	Euro	5.15	10.09.2008
2,556,459.41	Euro	5.18	08.09.2008
2,556,459.41	Euro	5.01	22.09.2008
2,556,459.41	Euro	5.01	22.09.2008
2,556,459.41	Euro	5.08	23.03.2009
2,300,813.47	Euro	5.05	23.03.2009
255,645.94	Euro	5.05	23.03.2009

subordinated borrowing. In case of insolvency, liquidation or creditors' composition, all claims arising from these payables will come after receivables due to all the issuer's creditors which are not subordinated.

All subordinated payables correspond to the requirements set out in Section 10, Paragraph 5a of the German Banking Act (KWG). No agreement has been made to convert these funds into capital or any other form of debt.

During the business year the payables shown in this item have incurred charges of Euro 2.2 million.

The *Participation capital of the AG* (Liabilities Item 9) amounting to Euro 89.4 includes the following issues:

Amount in million	Listed in	Interest rate in %	Due
38.3 Euro	DM	6.75	2004
51.1 Euro	DM	6.27	2007

The capital authorised by resolutions of the AGMs of 1993 and 1998 corresponds to the regulations contained in Section 10, Paragraph 5 of the German Banking Act. It participates fully in all loss. Interest is payable only in the context of available profit. All claims for repayment by holders of participation rights are subordinated vis-à-vis claims by other creditors.

Interest payable on participation certificates amounted to Euro 5.8 million in 1999 and are shown under "Miscellaneous payables."

At the end of 1999 the *Equity capital* of the Group (Liabilities Item 10) amounted to Euro 185.2 million.

The Bank's *Share capital* (subscribed capital) amounting to Euro 57.4 million, which – in accordance with a resolution of the AGM held on 24 June 1999 – has been converted into individual shares without nominal value, is divided into 2,246,000 individual shares. DG BANK Deutsche Genossenschaft of Frankfurt am Main holds 66.4

% of this share capital, the Sparda banks hold 13.3 %, KRAVAG-HOLDING AG has 10.02 % and Deutsche Bahn AG has 1.0 %. The remaining shares are in spread ownership.

The Extraordinary General Meeting held on 23 September 1998 authorised the Board of Managing Directors to increase share capital by 22 September 2003 by issuing new shares for cash on one occasion or more, the total however to amount to a nominal value of not more than Euro 12,875,454. Shareholders shall have rights of subscription. In the year covered by this report the Board of Managing Directors utilised this authorised capital in the sum of Euro 6,382,048. The Extraordinary General Meeting also authorised the Board of Managing Directors to issue participation rights by 22 September 2003 on one or more occasions up to a total of Euro 38,347,000. Shareholders shall have rights of subscription. No use was made of this authorisation in the year covered by this report.

Moreover the AGM held on 24 June 1999 empowered the Bank to purchase its own shares under the terms of Section 71, Paragraph 1, No. 7 of the

German Stock Corporation Act for the purpose of securities trading. Under the terms of this authorisation, the portfolio of shares to be purchased shall not exceed 5 % of the share capital at the end of a day. The lowest counter-value at which the Bank can buy back any of its own shares has been set at the uniform price listed on the Frankfurt Stock Exchange on the trading day prior to the purchase in question, less 10 %. The highest value of any share has been fixed at the uniform price plus 10 %. We have made use of this authorisation in the year covered by this report. The lowest price at which we traded was Euro 79.50 per share, the highest was Euro 88.50 per share. During the second half of 1999 we bought back a total of 12,633 individual shares in Deutsche VerkehrsBank at an average purchase price of Euro 82.52. Disposals amounted to 12,633 individual shares at an average sale price of Euro 90.76. The largest daily holding of our own shares over the year amounted to 11,277 shares. This represents 0.50% of our capital. No shares were being held for trading by the AG at the end of the year. Companies included in the Annual Group Accounts do not hold any shares in the parent company.

The premium amounting to Euro 12 million from the increase in share capital in the nominal sum of Euro 6 million has been allocated to the capital reserve. The sum of Euro 7.4 million

was taken from the annual surplus of Euro 15.5 million and allocated to the profit reserves. Changes in equity capital over the parallel period can be seen in the Management Report.

Group losses carried forward amounting to Euro 98,300 have been incorporated in the balance-sheet profit.

Reserves under the terms of Section 10, Paragraph 2b, Clause 1, No. 6 together with Section 10, Paragraph 4a, Clause 1 of the German Banking Act, allocated to equity under the terms of statutory banking supervision, amount to Euro 2.0 million.

Contingent liabilities for the Group contains sureties and guarantees amounting to Euro 407.2 million. The AG has pledged Euro 437.7 million for liabilities of Group companies.

Other payables amounting to Euro 416.4 million consist of irrevocable loan agreements by way of aviation, shipping and railway finance.

Payables not visible on Balance Sheet

There exists an additional funding requirement for a stakeholding in Liquiditäts-Konsortialbank GmbH of Frankfurt am Main, amounting to three-hundred percent of the shareholding, which holding stood at Euro 2.1 million as of 31 December 1999.

There is a duty of redeposit for a limited partnership in EFHATC Tankcontainer Vermietungs GmbH & Co. KG amounting to Euro 1.4 million.

Miscellaneous Information

Deutsche VerkehrsBank is a member of the protection scheme provided by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken.

Deutsche VerkehrsBank is also affiliated to the Pensions-Sicherungs-Verein a.G.

Contributions to these organisations are levied by the allocation method.

The Bank operates a pension fund in the legal form of a mutual assurance association and has a duty to make contributions for insured staff.

Of gifts and donations by VerkehrsBank, amounting to approximately Euro 16,000 for 1999, the largest single part (Euro 5,100) went to support Aktion Kinder-Unfallhilfe e.V. (Aid for Children in Accidents). This non-profit-

making association works in aid of children who have been injured in street accidents by commercial vehicles.

The Technical Museum of Berlin also received Euro 3,600 for an exhibition, and the University of Mannheim received Euro 2,600.

The Group balance Sheet contains assets in foreign currency with a countervalue of Euro 2,481.7 million (AG: Euro 1,986.5 million) and liabilities with a countervalue of Euro 730.4 million (AG: Euro 380.9 million).

Currency risks have been largely covered by spot purchases of foreign exchange with a countervalue of Euro 0.1 million and forward purchases of foreign exchange with a countervalue of Euro 91.4 million, as well as spot sales of foreign exchange with a countervalue of Euro 1.3 million, forward sales of foreign exchange with a countervalue of Euro 1,685.2 million and interest-currency swaps with a countervalue of Euro 30.8 million. Stocks of foreign notes and coins with a countervalue of Euro 14.3 million remain uncovered, since permanent cash holdings are maintained within tolerable margins.

Notes on items in the Profit and Loss Account

Interest revenue for the Group (Revenue Item 1) totalling Euro 265.4 million covers revenue from banking

investments of Euro 60.5 million, from fixed-interest securities of Euro 35.8 million and from customers' loan business of Euro 169.1 million. The London Branch of Deutsche Verkehrs-Bank earned interest amounting to Euro 42.2 million, and the subsidiary ITFL Ltd. Euro 33.2 million, from business with international customers. *Current revenue* (Revenue Item 2) includes Euro 0.4 million earned by ITFL Ltd.

Commission revenue for the Group (Revenue Item 3) amounting to Euro 78.5 million contains inter alia loan commission and proceeds from management and brokerage services for depot and securities business and for investment funds (public and special).

ReiseBank accounts for commission revenue of Euro 45.8 million, mainly consisting of commission from business in foreign notes and coins, revenue from cash machines, Western Union

world-wide money transfer and vignette sale, credit-card charges and other commission payments. This revenue comes almost exclusively from domestic (German) branches.

Net Revenue from financial business for the Group (Revenue Item 4) amounting to Euro 11.0 million is inter alia the result of business with foreign notes and coins, precious metals and numismatic items (Euro 6.2 million), securities from the trading portfolio (Euro 2.6 million) and foreign exchange (Euro 2.2 million). This revenue comes almost exclusively from domestic (German) branches.

Miscellaneous Operating Revenue amounting to Euro 6.5 million (Group: Revenue Item 6) and Euro 8.7 million (AG: Revenue Item 7), which come almost exclusively from domestic (German) business, consists of the following:

in Euro million	AG		Group	
	1999	1998	1999	1998
Liquidation of reserves	1.4	0.6	1.7	0.7
Tax refunds	0.1	1.0	0.1	1.4
Rents	0.5	1.2	0.5	1.2
Revenue from the disposal of asset items	4.0	0.3	4.0	0.3
Revenue from Group-internal services	2.6	2.2	0	0
Miscellaneous revenue	0.1	0.3	0.2	0.1
Total	8.7	5.6	6.5	3.7

N O T E S O N T H E A C C O U N T S (G R O U P A N D A G)
A S O F 3 1 D E C E M B E R 1 9 9 9

General Administration Costs

(Expenditure Item 3) consist of staff costs and other administration costs.

They are composed as follows:

Staff costs:

in Euro million	AG		Group	
	1999	1998	1999	1998
Wages and salaries	25.0	24.4	39.7	37.8
Social-security payments	4.0	3.9	6.5	6.4
Costs of				
pensions	0.5	0.5	0.5	0.5
pension fund	1.5	1.4	1.6	1.6
early retirement	0.3	0.1	0.5	0.3
Total	31.3	30.3	48.8	46.6

Other administrative costs:

in Euro million	AG		Group	
	1999	1998	1999	1998
Premises	4.9	5.0	10.5	10.1
Business and office equipment	2.2	1.8	3.4	3.2
Operating costs	7.6	6.7	11.0	9.4
External services	21.4	13.2	25.1	16.1
Other material expenditure	1.4	0.7	0.4	0.3
Total	37.5	27.4	50.4	39.1

Depreciation and value adjustments
on intangible assets and fixed assets
(Expenditure Item 4) are composed as
follows:

in Euro million	AG		Group	
	1999	1998	1999	1998
Business and office equipment	3.34	3.58	5.71	5.42
Property and buildings	0.04	0.15	0.04	0.15
Other intangible assets	0	0	0.02	0
Total	3.38	3.73	5.77	5.57

Depreciation of goodwill is made on
plan for the contractually agreed period
of use.

*Miscellaneous operating expendi-
ture* (Expenditure Item 5) amounting
to Euro 3.2 million (Group) and Euro 2.9
million (AG), referring to domestic
(German) business, is composed as
follows:

in Euro million	AG		Group	
	1999	1998	1999	1998
Losses from asset disposals	0.2	0.3	0.2	0.4
Reserves for consultancy and legal costs	0.2	0.1	0.2	0.1
Reserves for cash machines and repayments	0	0	0	0.7
Compensation payments for rental agreements	0	0.8	0	0.8
Costs of company staff	0.3	0.4	0.3	0.5
Miscellaneous expenditure	2.2	2.3	2.5	2.3
Total	2.9	3.9	3.2	4.8

As in the previous year, no significant sums from miscellaneous operating revenue need to be allocated to other business years.

The following summary indicates the extent to which our different business sectors have contributed to the 1999 Group result. Sector results are shown for our three operating divisions: Corporate Banking, Trading & Central Banking and ReiseBank &

CashExpress. The Corporate Customers Division consists for the main part of domestic (German) corporate-customer business and Structured Finance. The Trading & Central Banking Division bundles money, foreign-exchange and securities business, trade in foreign notes and coins, precious metals and

in Euro million	Group		Corporate Banking		Trading & Central Banking		ReiseBank & CashExpress		Group Services	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Result from interest	47.4	36.9	37.5	31.3	6.2	1.6	-1.0	-1.3	4.7	5.3
Result from commission	72.9	59.5	14.0	8.7	11.7	9.5	47.3	41.4	-0.1	-0.1
Result from financial transactions	11.0	13.1	0.8	0.5	10.2	12.2	0.0	0.0	0.0	0.4
Staff costs	-48.8	-46.6	-16.3	-15.3	-4.2	-4.7	-17.1	-16.2	-11.2	-10.4
Material costs and depreciation on tangible assets	-56.2	-44.7	-10.7	-10.4	-11.2	-7.9	-15.3	-14.2	-19.0	-12.2
Miscellaneous operating expenditure and revenue	3.3	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	3.3	-1.1
Operating results before risk provision	29.6	17.1	25.3	14.8	12.7	10.7	13.9	9.7	-22.3	-18.1
Risk provision for loan business	-7.0	-8.3	-7.0	-8.3	0.0	0.0	0.0	0.0	0.0	0.0
Operating result after risk provision	22.6	8.8	18.3	6.5	12.7	10.7	13.9	9.7	-22.3	-18.1
Miscellaneous expenditure revenue	-0.6	-2.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	-2.1
Taxes on revenue	-6.5	-1.7	0.0	0.0	0.0	0.0	0.0	0.0	-6.5	-1.7
Sector result	15.5	5.0	18.3	6.5	12.7	10.7	13.9	9.7	-29.4	-21.9

numismatic items and services to Sparda banks. The ReiseBank & Cash-Express Division covers our activities in supplying travellers with cash and cash equivalents at major travel locations. Group services includes proceeds and costs of staff and administrative units which cannot be allocated to any operating division. Sector results break down into interest payments, commission payments, financial results, staff and material expenditure, risk provision and miscellaneous revenue and expenditure. In 1999 the sector result for the Group amounted to Euro 15.5 million, following Euro 5.0 million in the previous year.

This result will make it possible to propose to the Annual General Meeting of Deutsche VerkehrsBank AG a *dividend* of Euro 3.60 per individual share. Counting corporation tax of Euro 1.54 per share, this gives a total for our domestic (German) shareholders of Euro 5.14 per share.

General notes

The Bank undertakes *forward business* to hedge its own currency and interest position and in trading with its own customers.

Forward trading and options business is carried out mainly to hedge foreign-currency loans or deposits and to hedge the stock of foreign notes and coins. In addition, forward and spot exchange deals and options concluded on behalf of customers are closed out

through banking partners. As of 31 December 1999 the nominal volume of such business amounted to Euro 1,778 million, of which Euro 1,636 million was directly to hedge the exchange rate of business affecting the balance sheet.

Miscellaneous derivative financial instruments are used for trading purposes, to effect hedges for the Bank's control of assets and liabilities, and to hedge individual transactions. As of 31 December 1999 the nominal value of this business was Euro 8,564 million for the Group, of which Euro 5,616 million was in finance swaps, Euro 252 million in forward rate agreements and Euro 2,633 million in interest-rate options.

The total volume of interest-related business amounting to Euro 8,564 million includes trades totalling Euro 5,461 million.

Forward and options business with other price risks is carried out on a small scale solely on a basis of coverage.

A subsidiary company has an interest-hedge with Deutsche VerkehrsBank amounting to Euro 20.4 million.

Staff

Average annual staffing levels at Deutsche VerkehrsBank were as follows:

	AG		Group	
	1999	1998	1999	1998
Women	153	168	350	339
Men	265	275	446	445
Total	418	443	796	784

This average number of staff does not count trainees, staff on educational leave or staff doing military or other national service, but it does include temporary staff.

Deutsche VerkehrsBank AG – governing bodies

Supervisory Board
Dr. Berthold Eichwald,
Chairman until 24 June 1999
Uwe E. Flach,
Chairman as from 24 June 1999
Dr. Peter Scharpf, Deputy Chairman
Lutz Baumgartl
Dr. Heiko Bruns
Axel Clemens
Dr. Eckart John von Freyend,
until 24 June 1999
Cornelia Jung
Dr. Peter Klaus, as from 24 June 1999
Hemjö Klein, as from 24 June 1999
Joachim Krüger, until 24 June 1999
Theo Markert
Hermann Möller
Dr. Manfred Mücke
Diethelm Sack

Each Member of the Supervisory Board has taken part in more than half of all its meetings.

Board of Managing Directors
Wolfgang F. Driese, CEO and Chairman
Anne-Rose Heibel-Dietrich
Klaus W. Heinemann

The job titles of all Members of the Supervisory Board and Board of Managing Directors and the positions they hold are given at the end of these Notes.

The following remuneration was paid to the Board of Managing Directors and Supervisory Board in 1999:

in Euro '000	1999
Management Board	1,265
Supervisory Bodies	104
Former Members of the Management Board and their surviving dependants	189

Remuneration paid to the Board of Managing Directors is composed of a fixed sum of Euro 738,000 and a variable element amounting to Euro 527,000.

No Members of the Board of Managing Directors hold any shares in Deutsche VerkehrsBank.

Deutsche VerkehrsBank has made use of the option set out in Section 286, Paragraph 4 of the Commercial Code of partially omitting the information required under the terms of Section 285, No. 9b of the Commercial Code.

The sum of Euro 1.5 million has been paid into reserves for pension commitments to former Members of the Board of Managing Directors and their surviving dependants.

Cash-flow statement

The cash-flow statement provides information on the Bank's cash and cash equivalents, whereby payment flows are allocated under their respective applications. It uses the indirect method, based on the concept of extended flow statement, and is derived directly from Group accounting.

Deutsche VerkehrsBank defines cash and cash equivalents very narrowly as the sum of cash in hand plus bonds issued by public authorities and bills of exchange eligible for refinancing purposes at national central banks. An end-of-month deposit of Euro 800 million at the Regional Bundesbank

Office has been shown under Bank receivables, since this liquidity is placed sub-yearly on the Interbank market.

The cash-flow statement shows changes in cash and cash equivalents by displaying payment flows in a structured way, arranged under business operations, investment activities and finance.

Business operations are defined very broadly for the purposes of allocation and are geared towards all factors stemming from normal banking business which may affect the operating result. The flow of funds from investment activities is essentially limited in its definition to deposits made by way of sales or payments resulting from the purchase of capital or financial assets. Since financing via outside capital providers is a normal operation for banks – and thus a business operation – Deutsche VerkehrsBank restricts its statement of cash flow from finance to its relation with its own equity providers.

Changes in cash and cash equivalents over the business year are calculated with reference to these three areas of activity plus the effects of fluctuations in foreign exchange. Receivables and payables in foreign currencies have been converted using the median spot rates as of the day of account closure, since all foreign-currency business is subject to special cover.

Financial activities shows a flow of Euro 32.8 million and business operations a flow of Euro 48.1 million, which have been used along with Euro 15.1 million for investment activities, and along with Euro 65.8 million to increase funds available.

Group Financial Statement

Deutsche VerkehrsBank is both a parent company and itself a subsidiary company of DG BANK Deutsche Genossenschaftsbank of Frankfurt am Main.

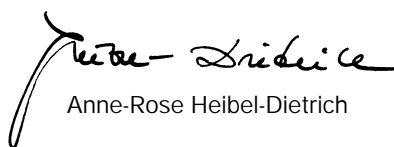
DG BANK Deutsche Genossenschaftsbank of Frankfurt am Main has presented annual group accounts as of 31 December 1999 together with a group report, deposited at the District Court of Frankfurt am Main, which includes Deutsche VerkehrsBank, thus releasing it from any duty of issue.

Frankfurt am Main, 16 March 2000

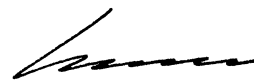
Deutsche VerkehrsBank AG
Board of Managing Directors



Wolfgang F. Driese



Anne-Rose Heibel-Dietrich



Klaus W. Heinemann

Deutsche VerkehrsBank Group
Cash Flow Account

	31 Dec. 1999 Adjustments			31 Dec. 1998 Adjustments		
	Euro 1,000	Euro 1,000	Euro 1,000	Euro 1,000	Euro 1,000	Euro 1,000
Surplus for the year		15,436			5,005	
Non-cash positions in surplus and adjustments to reconcile surplus with net cash provided by operating activities						
Risk provision for lending business		7,434			8,688	
Write-downs, depreciation and adjustments on fixed assets and investments		5,746			5,570	
Change in provisions		5,072			4,443	
Change in other non-cash items	9,935	0		39,467		
Profits from the sale of fixed assets and investments		0				
Miscellaneous adjustments (mainly interest paid ./ received)	47,406			36,904		
Sub-total	57,341	33,688	– 23,653	76,371	23,706	– 52,665
	Use of funds Euro 1,000	Source of funds Euro 1,000	Balance Euro 1,000	Use of funds Euro 1,000	Source of funds Euro 1,000	Balance Euro 1,000
Brought forward	57,341	33,688	– 23,653	76,371	23,706	– 52,665
Changes in assets and liabilities due to operating activities following adjustment for non-cash components						
Receivables due from lending banks		1,017,250		284,471		
Receivables due from customers	936,484			897,126		
Securities held for dealing purposes and liquidity reserve	300,221			75,162		
Miscellaneous assets from operating activities	14,792				4,592	
Payables due to lending banks		391,347			167,155	
Payables due to customers	119,220				492,485	
Liabilities in certificate form	81,419				485,265	
Miscellaneous liabilities from operating activities		67,906			3,326	
Dividend payments and interest receipts		278,163			203,250	
Interest payments	230,757			166,346		
Cash flow from operating activities	1,740,234	1,788,355	48,121	1,499,474	1,379,779	– 119,695
Proceeds from the sale of fixed assets and investments		3,392			8,786	
Payments for the purchase of fixed assets and investments	18,502			22,406		
Effects of changes in consolidated companies		0				
Flows from miscellaneous investment activities		0				
Cash flow from investment activities	18,502	3,392	– 15,110	22,406	8,786	– 13,621
Proceeds from capital increases		18,473				
Dividend payments	5,005			16,873		
Flows from miscellaneous financing activities		19,322			95,129	
Cash flow from financing activities	5,005	37,796	32,791	16,873	95,129	78,257
Cash and cash equivalents at end of previous period			140,302			195,362
Cash flow from operating activities			48,121			– 119,695
Cash flow from investment activities			– 15,110			– 13,621
Cash flow from financing activities			32,791			78,257
Effects of exchange-rate fluctuations			0			
Cash and cash equivalents at end of period			206,104			140,302

Positions held on Supervisory Boards and other governing bodies

Information in accordance with Section 285, No. 10 of the Commercial Code

Supervisory Board

Dr. Berthold Eichwald

Chairman until 24 June 1999

Member of the Board of Managing Directors of
DG BANK Deutsche Genossenschaftsbank AG,
Frankfurt am Main

Deputy Chairman of the Supervisory Board of
GBWAG Gemeinnützige Bayerische Wohnungs-
Aktiengesellschaft, Munich

Member of the Supervisory Board of
BayWa AG, Munich

Bank für Wertpapierservice und -systeme
Aktiengesellschaft, Frankfurt am Main

Südfleisch Holding AG, Munich

CG Nordfleisch AG, Hamburg

DG BANK Luxembourg S.A., Luxembourg

DG CAPITAL Management GmbH,

Frankfurt am Main (since 25 November 1999)

Member of the Executive Board of

GZS Gesellschaft für Zahlungssysteme mbH,
Frankfurt am Main

Uwe E. Flach

Chairman since 24 June 1999

Member of the Board of Managing Directors of
DG BANK Deutsche Genossenschaftsbank AG,
Frankfurt am Main

Chairman of the Supervisory Board of
DEVIF GmbH, Frankfurt am Main

DG CAPITAL MANAGEMENT GmbH,

Frankfurt am Main (until 25 November 1999)

Deputy Chairman of the Supervisory Board of

Andreae-Noris-Zahn AG, Frankfurt am Main

Deutsche Börse AG, Frankfurt am Main

Union Investment GmbH, Frankfurt am Main

Member of the Supervisory Board of
AGAB AG, Frankfurt am Main
Bank für Wertpapierservice und –systeme
Aktiengesellschaft,
Frankfurt am Main (until 10 September 1999)
DG UNTERNEHMERPARTNER GmbH,
Frankfurt am Main (since 6 January 1999)

Dr. Peter Scharpf

Deputy Chairman
Lawyer and certified public accountant,
Chairman of the Board of Managing Directors of
Verband der Sparda-Banken e.V., Frankfurt am Main
Member of the Supervisory Board of
DEVK Lebensversicherungsverein a.G., Cologne
DEVK Allgemeine Versicherungs AG, Cologne

*Lutz Baumgartl**

Banker,
Deutsche VerkehrsBank AG, Frankfurt am Main

Dr. Heiko Bruns

Member of the Board of Managing Directors of
DG BANK Deutsche Genossenschaftsbank AG,
Frankfurt am Main
Chairman of the Supervisory Board of
DEFO Deutsche Immobilienfonds GmbH,
Frankfurt am Main
Member of the Supervisory Board of
SPAR Handels AG, Hamburg
DG UNTERNEHMERPARTNER GmbH,
Frankfurt am Main

*Axel Clemens**

Bank employee,
Deutsche VerkehrsBank AG, Frankfurt am Main

NOTES ON THE ACCOUNTS (GROUP AND AG)
AS OF 31 DECEMBER 1999

Dr. Eckart

John von Freyend

until 24 June 1999

Chairman of the Board of Managing Directors of
IVG Holding AG, Bonn

Member of the Supervisory Board of
AVECO Holding AG, Frankfurt am Main
Gerling Konzern Lebensversicherungs-
Aktiengesellschaft, Cologne

VNR Verlag Norman Rentrop AG, Bonn

BOTAG Bodentreuhand- und -verwaltungs-
Aktiengesellschaft, Berlin

Stodiek Europa Immobilien AG, Bonn

*Cornelia Jung**

Banker,

Deutsche VerkehrsBank AG, Frankfurt am Main

Dr. Peter Klaus

as from 24 June 1999

Member of the Board of Managing Directors of
Kreditanstalt für Wiederaufbau, Frankfurt am Main

Member of the Supervisory Board of
debis AirFinance B.V., Amsterdam

HDW Howaldtswerke Deutsche Werft AG, Kiel

Hemjö Klein

as from 24 June 1999

Chairman of the Board of Managing Directors of
Stella AG, Hamburg

Chairman of the Supervisory Board of
Sixt AG, Munich

Deputy Chairman of the Supervisory Board of
Europäische Reiseversicherung AG, Munich

Member of the Supervisory Board of
Lufthansa Commercial Holding GmbH, Cologne
Lübecker Hypothekenbank AG, Lübeck

Joachim Krüger

until 24 June 1999

Head of Department at the Federal Ministry
of Finance

Deputy Chairman of the Supervisory Board of
Verwertungsgesellschaft für Eisenbahnimmobilien
GmbH & Co KG, Frankfurt am Main (until 1 May 1999)

Member of the Supervisory Board of
Berlin Brandenburg Flughafen Holding GmbH, Berlin
Projektplanungsgesellschaft Schönefeld mbH, Berlin
DB Regio AG, Berlin (as from 1 June 1999)
Flughafen Frankfurt/Main AG, Frankfurt am Main
(until 15 July 1999)
Member of the Advisory Board of
Erdölbevorratungsverband, Hamburg

*Theo Markert**

Banker,
Deutsche VerkehrsBank AG, Frankfurt am Main

Hermann Möller

Chairman of the Board of Managing Directors of
Sparda-Bank Baden-Württemberg eG, Stuttgart
Chairman of the Governors of
Verband der Sparda-Banken, Frankfurt am Main
Member of the Supervisory Board of
DEVK Allgemeine Lebensversicherungs-AG, Cologne
Member of the Advisory Board
BHW AG, Hameln

Dr. Manfred Mücke

Businessman and Member of the Board of
Managing Directors of
KRAVAG-SACH VVaG, Hamburg
KRAVAG-HOLDING AG, Hamburg
KRAVAG-LEBEN Versicherungs-AG, Hamburg
Member of the Board of Managing Directors of
R+V Allgemeine Versicherung AG, Wiesbaden
Chairman of the Supervisory Board of
KRAVAG-ALLGEMEINE Versicherungs AG, Hamburg
Member of the Supervisory Board of
Eisen + Stahl Rückversicherungs-AG, Hannover
Member of the Executive Board of
HGK Handelsgesellschaft für
Kraftfahrzeugbedarf mbH & Co. KG, Düsseldorf

Diethelm Sack

Member of the Board of Managing Directors
(Finance and Controlling)
Deutsche Bahn AG, Frankfurt am Main

NOTES ON THE ACCOUNTS (GROUP AND AG)
AS OF 31 DECEMBER 1999

Chairman of the Supervisory Board of
Deutsche Verkehrs-Assekuranz-Vermittlungs GmbH,
Bad Homburg
Transport-, Informatik- und Logistik-Consulting
GmbH, Berlin
DB Informatik-Dienste GmbH, Erfurt
Member of the Supervisory Board of
Deutsches Reisebüro GmbH, Frankfurt am Main
Mannesmann Arcor Verwaltungs-AG, Eschborn
Frankfurter Versicherungs-AG, Frankfurt am Main
DB Anlagen und HausService GmbH, Berlin
DB Projekt Köln-Rhein-Main GmbH,
Frankfurt am Main
DB Station & Service AG, Berlin
DB Netz AG, Berlin
DB Reise & Touristik AG, Berlin
DB Regio AG, Berlin
DB Cargo AG, Berlin
GBO Gerätebau Odenwald AG, Rimbach
dvm Deutsche Verkehrsdienstleistungs- und
Management GmbH, Berlin
Vice President of the Executive Board of
EUROFIMA, Basel
Member of the Executive Board of
Dresdner Bank Luxembourg S.A., Luxembourg

*Elected by the staff

Committees of the Supervisory Board

Credit Committee

Uwe E. Flach	Chairman
Dr. Peter Klaus	Deputy Chairman
Theo Markert	Staff representative

Presidential Committee

Uwe E. Flach	Chairman
Dr. Peter Scharpf	Deputy Chairman
Lutz Baumgartl	Staff representative

Board of Managing Directors

Wolfgang F. Driese

CEO and Chairman of the
Board of Managing Directors of
Deutsche VerkehrsBank AG, Frankfurt am Main
Member of the Supervisory Board of
ReiseBank AG, Frankfurt am Main
CashExpress GmbH, Frankfurt am Main
DVL Deutsche Verkehrs-Leasing GmbH, Eschborn
KRAVAG-SACH VVaG, Hamburg
Managing Director of
International Transport Finance Ltd., London

Anne-Rose

Heibel-Dietrich

Member of the Board of Managing Directors of
Deutsche VerkehrsBank AG, Frankfurt am Main
Chairman of the Supervisory Board of
ReiseBank AG, Frankfurt am Main
CashExpress GmbH, Frankfurt am Main
Member of the Supervisory Board of
Rømø-Sylt Linie GmbH, Flensburg
ÖVKB
Österreichische Verkehrskreditbank AG, Vienna
Union-Investment-Gesellschaft mbH,
Frankfurt am Main
Union-Fonds-Holding AG, Frankfurt am Main
Member of the Advisory Board of
DEVIF Deutsche Gesellschaft für
Investment-Fonds GmbH, Frankfurt am Main
Verband der Sparda-Banken e.V., Frankfurt am Main
Chairman of the Management Board of the Pension
Fund of Deutsche Verkehrs-Bank VVaG, Berlin

Klaus W. Heinemann

Member of the Board of Managing Directors of
Deutsche VerkehrsBank AG, Frankfurt am Main
Member of the Supervisory Board of
ReiseBank AG, Frankfurt am Main
CashExpress GmbH, Frankfurt am Main
Managing Director of
International Transport Finance Ltd., London

Certificate of approval

We have audited the Financial Statement, incorporating accounts, of Deutsche VerkehrsBank AG of Frankfurt am Main and the Group Financial Statement presented therein, together with the Management Report of both the Company and the Group, for the business year from 1 January to 31 December 1999. The preparation of these documents in accordance with the regulations of German commercial law is the responsibility of the Company's legal representatives. It is our duty to make an assessment of the Financial Statement incorporating accounts and of the Group Financial Statement presented therein, together with the Management Report of the Company and the Group, based on the audit we have carried out.

We have carried out our audit of the Financial Statements (Company and Group) under the terms of Section 317 of the Commercial Code in accordance with the principles of proper auditing of accounts issued by the Institute of Auditors (IDW). These state that an audit must be so planned and carried out as to recognise with sufficient certainty any mistakes or infringements which may affect the presentation of the asset, finance and revenue situation calculated from the Financial Statements (Company and Group) in accordance with the principles or proper book-keeping and from the Management Report of the Company and the Group.

The organisation of the audit has taken into account all information regarding the business activities of the Company and of the commercial and legal area in which it operates, as well as any expectations regarding potential errors.

The audit has assessed the effectiveness of the company's internal controlling system and examined proof of information given in accounts, Financial Statements and Management Report (Company and Group) mainly on the basis of random samples. The audit covers an assessment of the principles employed in the balance sheet and the consolidation and of major estimates made by its legal representatives, as well as assessing the overall presentation of the Financial Statements and Management Report (Company and Group). We believe that our audit has provided a sufficient basis for making our judgement.

Our audit has not given rise to any objections.

In our opinion the Financial Statements (Company and Group), in accordance with the principles of proper book-keeping, present a picture of the asset, finance and revenue position of the Company and the Group which reflects the actual situation. The Management Report of the Company and the Group gives an accurate overall account of the situation of the Company and the Group and gives an accurate account of the risks involved in the course of future business.

Frankfurt am Main, 17 March 2000

PwC Deutsche Revision

Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Heßel

Auditor

Rosenzweig

Auditor

Report of the Supervisory Board

To all our shareholders:

The four regular meetings of the Supervisory Board for the 1999 business year took place on 17 February, 28 April, 15 September and 24 November. At these meetings, and at regular sessions between the Chairman of the Supervisory Board and the Chairman of the Board of Managing Directors, detailed discussions took place concerning business trends, business policy and other fundamental questions of corporate strategy.



Uwe E. Flach

The Board of Managing Directors presented the Supervisory Board with detailed reports on current cash flow, assets and revenues for both the Bank and the Group, and on corporate planning. The Supervisory Board also received comprehensive and ongoing reports on the Euro conversion,

implemented as of April 1999, and on the measures taken by the Bank to prepare for the millennium-date change. Meetings also discussed the introduction of SAP R/3 software, planned for 2000, the inauguration of a rating count by Standard & Poor's, and the new payment scheme for management staff. November saw the presentation by the Board of Managing Directors of plans for our stakeholding in Nedship Bank nv of Rotterdam; these were discussed fully and approved by the Supervisory Board. In addition to these matters, the Supervisory Board also issued quick-response authorisation for transactions of special urgency.

At the four meetings held in 1999, as well as through the quick-response procedure, the Credit Committee dealt in detail with all lending business required for submission under the terms of Standing Orders.

Additional discussions with the Board of Managing Directors covered risk management and the structure of the loan portfolio. Following comprehensive analysis, all proposals by the Board of Managing Directors were agreed as required by legal statute or Standing Orders.

The Annual General Meeting, scheduled for 24 June, meant that new elections would be necessary for shareholders' representatives on the Supervisory Board. The following resigned from the Supervisory Board of Deutsche VerkehrsBank AG with effect from the conclusion of the AGM: Dr. Berthold Eichwald, Member of the Board of Managing Directors of DG BANK AG; Dr. Eckart John von Freyend, Chairman of the Board of Managing Directors of IVG Holding AG; and Joachim Krüger, Head of Department at the Federal Ministry of Finance. The following new members were elected to the Supervisory Board: Dr. Heiko Bruns, Member of the Board of Managing Directors of DG BANK AG; Dr. Peter Klaus, Member of the Board of Managing Directors of Kreditanstalt für Wiederaufbau; and Hemjō Klein, Chairman of the Board of Managing Directors of Stella AG. The Supervisory Board would like to take this opportunity to thank all those leaving members for all the hard work they have undertaken on behalf of the Bank.

At a further election meeting following the AGM, the Supervisory Board elected the Chairman, Deputy Chairman and members of the Presidential and Credit Committees from among its own number.

The Bank's auditor took part in the accounts meetings of the Supervisory Board and its Credit Committee, providing a commentary on the audit and providing information on particular points. The auditors, PwC Deutsche Revision, have inspected the Accounts, the Financial Statement and the Management Report and issued an unqualified Audit Certificate. The Auditor's Report has been supplied to all Members of the Supervisory Board for their inspection. The Supervisory Board has accepted this audit.

The Supervisory Board has also inspected the Financial Statement as of 31 December 1999, together with the Management Report and the proposal for profit distribution. No objections have been made. The Supervisory Board has been presented with the Group Management Report and Auditor's Report.

At its meeting on 5 April 1999 the Supervisory Board accepted the Financial Report, which is hereby approved. The Supervisory Board supports the proposal for profit appropriation, in the form of a dividend of Euro 3.60 per share.

The Supervisory Board has been presented with the report by the Board of Managing Directors on associated companies for 1999 business year. It has been inspected by the Auditor and given the following unqualified Audit Certificate:

“Following a proper audit and analysis, we hereby confirm:

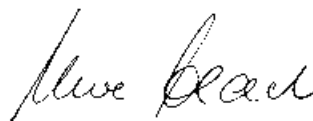
1. That all statements made in the Report are correct,
2. That payments made by the Company in the course of such legal transactions as are stated therein were not unreasonably high.”

The Supervisory Board has seen and inspected the Report on relations with associated companies. It hereby declares that it agrees with the result of the annual audit, and in particular that it makes no objections to the statement given by the Board of Managing Directors under the terms of Section 312, Paragraph 3 of the German Stock Corporation Act.

The Supervisory Board would like to express its thanks and appreciation to all the Bank's staff for their hard work and commitment.

Frankfurt am Main, 5 April 2000

For the Supervisory Board



Uwe E. Flach

Board of Managing Directors – Individual Remits

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	Wolfgang F. Driese	Anne-Rose Heibel-Dietrich	Klaus W. Heinemann
Customer Divisions	Corporate Banking	Corporate Banking	Corporate Banking
	Southern Area	Northern/Eastern Area	Central Area
	Roland Janz	Peter Bauersfeld	Michael Heinz
	Rainer Nothwang	Joachim Winkler	Markus Neuland
	Günther Volkamer	Heinz-Jürgen Wolter	Walter Reinhardt
	Western Area	Central Banking	Structured Finance
	Gerhard Kaiser	Sparda	David Goring-Thomas
	Detlef Neumeyer	Thomas Dellwig	Peter Illingworth
	Klaus Torner		Rainer Irmen
			Infrastructure Finance Karsten T. Landgraf
			Corporate Advisory Steven Townend
		ReiseBank AG/ CashExpress GmbH	International Transport Finance Limited Connie Laudenschlager
		Horst Erler Wolf-Dieter Weschke	
Product and Service Divisions	Controlling	Compliance, Money Laun- dering, Data Protection	Trading Administration
	Martin Kinzel	Arno Grunhold	Jürgen Schmidt
	Corporate Communications	Trading, Money, Exchange, Securities	Secondary Market
	Dr. Borislav Bjelacic	Jürgen Haupt	Brian Courtney
	Credit-Risk Management	Personel	
	Eberhard Baumgart	Jürgen von Zeppelin	
	Organisation/IT	Audit	
	Dr. Wolfgang Preuß	Rolf Büttner	
	Accounts	Foreign Notes and Coins, Precious Metals, Numismatics	
	Werner Schmunk	Günter Spieker	
	Treasury	Sales Support	
	Andreas Kaup	Hermann Siegling	
	Payment systems		
	Walter Bucher		

GLOSSARY

Cash Flow account

Calculation and demonstration of the flow of cash and cash equivalents which a company has earned or spent in a business year. Divided into three cash flow sections (operating activities, investment and financial transactions), it is used to show from what sources money comes and to what areas it is allocated.

Commercial-paper programme

Short-term unsecured debt, issued by first-class financial institutions, industrial companies and traders within a framework of so-called programmes. For market access a good credit history is required. As a rule, because of the minimum sum which they require, commercial paper is not the right type of security for small investors, but for institutional investors.

Consortium partners

A consortium is formed when a number of banks come together with the aim of providing a customer with a loan raised between them.

Corporate Governance Guidelines

Corporate-governance principles serve as a code of best practice for managing and monitoring companies and corporate groups in a manner which is both responsible and directed towards value addition. They have been drawn up by the Corporate Governance Commission, whose members occupy top positions in research and industry.

Cost-income ratio

A way of calculating the efficient use of costs; the ratio of operating costs to income.

Debt-issuance programme

A flexible bond facility with standard documentation, by virtue of which issuers can float unsecured debt at various different times. It is possible to adapt issue volumes, currency and maturity precisely to financial needs.

Depository A business

Advising a bank's customers on managing and restructuring their own investments in securities.

Derivatives

Products derived from conventional investment instruments traded on the spot market. Their value is determined by the price, price fluctuations or price forecasts of the initial instruments on which they are based (e.g. shares, bonds, foreign exchange). In particular derivatives include swaps, options and futures.

Dormant holdings

Stakeholding in another party's business with an investment contribution subsumed in that party's assets. The dormant stakeholder participates in current profit and loss but does not appear externally and has no right of management or representation.

Floating-rate note

Variable-interest bonds, the interest rate of which is amended at particular short intervals in accordance with a referential interest rate shown on the money market. Particular mark-ups or mark-downs will be added, depending on the creditworthiness of the customer.

Freight-compensation procedure

A specific product from Verkehrs-Bank, operated with a range of partners in rail, ship and road transport. The core element of this procedure is the assumption of customer receivables and collection of proceeds from freight services.

Lending volume

Total receivables before deduction of depreciation (book receivables and non-balance-sheet business).

Mark-to-market methods

Daily or ongoing assessment of all positions with their market value.

Net earnings from financial transactions

Item in the profit-and-loss account showing the across-the-board result from own trading by banks. This is the favourable balance of income and expenditure from own transactions in securities, financial instruments, foreign exchange and bullion.

Numismatics

The subject of coins, and everything to do with them.

Operating expenditure

Operating expenditure corresponds to "Other administrative costs" in the profit-and-loss account.

Own funds under the terms of the German Banking Act (KWG)

Section 10 of the German Banking Act prescribes that banks must have adequate liable capital by way of security. This is composed of core capital (particularly subscribed capital and reserves) and supplementary capital (which particularly includes profit-participation capital, subordinated liabilities, hidden reserves under the terms of Section 340 f of the Commercial Code and revaluation reserves in securities and real estate).

Return on equity

A figure used in balance-sheet analysis to relate the surplus for the year before tax to the amount of equity capital. Return on equity shows what interest the capital has earned.

SAP

Stands for systems, applications and products – a phrase used in data-processing. SAP is the software most widely used in commerce and industry, and it is also the name of the manufacturer.

Sector reporting

Publication of information on a company's assets and income broken down into areas of activity or regions.

Structured Finance

Designing individual finance plans and solutions for complex, large-volume investment projects.

Syndicated loans

Loans granted by a banking consortium. Consortia are formed to distribute the loan risk across a number of banks.

Treasury

Department responsible for managing assets and liabilities from interest-bearing business for the whole of the bank, by way of risk and liquidity management. Central activities involve Depot A Management, new

issues and risk management (market-price risks), in accordance with both statutory and internal regulations.

Value-at-risk

A process for calculating the risks of financial instruments; it shows the amount risked should there be a particular fluctuation in the market.

Volatility

The scale of fluctuation or price instability of a financial instrument. High volatility means that the risk involved is greater, but so are the opportunities.

Western Union

A joint partner of ReiseBank, with over 30,000 outlets in over 130 countries, also open outside normal banking hours. To send money quickly, you can go to any one of ReiseBank's many branches, or pay via your usual bank. The recipient can get his or her money at any Western Union office, mostly in a matter of minutes.

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