The leading specialist in international transport finance

Group Annual Report 2008

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DVB Group – Key figures at a glance

In this Group Annual Report 2008, DVB Group is referred to as "DVB" or "DVB Group", whilst DVB Bank SE is identified under its registered company name.

€ mn	**2008**	2007	%
Earnings data in accordance with IFRS			
Income	256.7	266.1	–3.5
Net interest income after allowance for credit losses	176.7	169.6	4.2
Net interest income	193.2	189.9	1.7
Allowance for credit losses	16.5	20.3	–18.7
Net fee and commission income	105.5	84.8	24.4
Net income from financial instruments in accordance with IAS 39	–54.1	6.1	–
Result from investments accounted for using the equity method	0.0	3.7	–
Net other operating income/expenses	28.6	1.9	–
General administrative expenses	156.5	147.4	6.2
Result from ordinary activities before tax	100.2	118.7	–15.6
Key financial indicators (%)			
Return on equity (before tax)			
IFRS	13.1	20.4	–7.3 pp
German GAAP	17.7	25.9	–8.2 pp
Cost/income ratio			
IFRS	57.4	51.2	6.2 pp
German GAAP	43.9	45.0	–1.1 pp

€ mn	**2008**	2007	%
Balance sheet data in accordance with IFRS			
Business volume	21,026.2	16,600.1	26.7
Total assets	17,376.8	13,154.5	32.1
Loans and advances to customers	14,321.7	10,124.7	41.5
Deposits from customers	5,011.4	4,362.3	14.9
Securitised liabilities	2,722.6	2,931.8	–7.1
Subordinated liabilities	672.2	625.6	7.4
Equity	998.9	793.2	25.9
Own funds in accordance with the German Banking Act (KWG)			
Total	1,330.5	1,193.1	11.5
Tier 1 capital	1,011.8	814.5	24.2
Tier 2 and Tier 3 capital	318.7	378.6	–15.8
Capital ratios in accordance with the German Banking Act (%)			
Basel II			
Tier 1 ratio	13.9	–	–
Total capital ratio	18.2	–	–

Rating	**2009**	2008	2007
Moody's Investors Service			
Debt and deposit ratings	A1/P-1	A1/P-1	A1/P-1
Financial strength	C	C	C
Outlook	stable	stable	stable
Standard & Poor's			
Long-term/short-term issuer credit rating	A/A-1	A/A-1	A/A-1
Outlook	negative	stable	stable

LANDMARK DEALS 2008

LAND TRANSPORT FINANCE – KANSAS CITY SOUTHERN DE MÉXICO, S.A. DE C.V.

In September 2008, during turbulent times in the US and international capital markets, DVB closed the financing of 29 state-of-the-art locomotives for Kansas City Southern de México. The transaction utilised a unique structure available for equipment financing in Mexico, and provided our client with a 15-year full payout financing for these new GE ES44AC six-axle locomotives. The deal was documented with a combination of US and Mexican papers, with security documentation filed in both jurisdictions. Further, DVB Bank SE – as a registered bank in Mexico – was able to provide the financing subject to low withholding tax requirements. DVB originated and structured the deal, and also was the sole debt provider under the transaction – fully secured inter alia by the financed locomotives – allowing a complex solution to be delivered to a US Class One railroad in a timely and efficient manner during tumultuous times.

AVIATION FINANCE – AIRCASTLE LIMITED

The most important Aviation deal concluded during the year was a US$786.1 million aircraft lease portfolio term loan for Aircastle Limited. DVB, together with Calyon, HSH Nordbank and KfW IPEX-Bank, were mandated by Aircastle as lead arrangers for this 5.5-year secured term loan, the proceeds of which were used to repay an existing warehouse facility. This hybrid financing, which blended features of secured bank debt and asset-backed securities, was backed by a portfolio of 28 aircraft. Aircastle is one of the leading aircraft leasing companies, yet at the time had little presence in the bank market, having previously accessed the US capital markets for significant funding requirements. Through the joint efforts of our client and the joint-lead arrangers, the facility was oversubscribed in syndication, with a further six aviation finance banks joining the deal. The transaction was awarded Aircraft Capital Markets Deal of the Year by Jane’s Transport Finance.

SHIPPING FINANCE – PALMALI GROUP

DVB successfully arranged and co-underwrote (together with HSH-Nordbank) a US$183 million senior secured debt facility assisting the Palmali Group in the refinancing of one Suezmax and in the acquisition of two Aframaxes. The transaction allowed Palmali Group to establish a significant presence in the marketplace as owners and operators of crude oil tankers, adding a new leg of core business to an already existing and successful product tanker operation. The facility reflects DVB’s commitment and understanding of the crude oil tanker business, and our support towards well-structured newcomers to this market segment. The transaction was closed during a very difficult and volatile period for bank debt financing, requiring tailor-made solutions to meet specific requirements of each of the underwriters. This emphasises DVB’s reputation as a stable and constructive partner, working together with other banks and bringing added value to our clients.

2008
Group
Annual Report

The leading specialist in international transport finance

At DVB, we go further than anyone else to make deals work, and to find intelligent and appropriate financial solutions for our clients. We investigate, research, and study our industry more than anyone else. We challenge conventional wisdom when offering advice, work hard to meet our clients' needs, and strive to exceed their expectations.

DAGFINN LUNDE
WOLFGANG F. DRIESE
BERTRAND GRABOWSKI

LETTER TO OUR SHAREHOLDERS AND BUSINESS PARTNERS

Dear Ladies and Gentlemen,

In a few months' time we will be celebrating the twentieth anniversary of German reunification. In terms of economic policy, back then we also celebrated the victory of a free market economy over the rule of the state: free competition and private enterprise have been showing the way over recent years.

Fast-forward to the present day, and more than 200 US banks have received government aid. The country's biggest banks are under the control of the US administration (even though not legally, this is de facto the case). The Wall Street "bulge bracket" houses have collapsed like the Tower of Babel.

Governments around the world have acquired stakes in their domestic banks. Some institutions which, not long ago, were still heralded for their ambitious expansion plans are now under the control of the state. In the interest of saving jobs, government support is also being widely discussed for other industry sectors.

In Germany, public-sector banks are being kept competitive with even more taxpayer support – regional politics have taken precedence over economic viability. We have never really seen the rationale for the two global market leaders in shipping finance being German public-sector banks – who are in fierce competition with us all over the globe. The merger of two large private-sector banks is about to create the third-largest player in shipping finance – also with the support of state-guaranteed funding, and with equity capital provided by the government. Will free competition still have a chance in the future? Will even successful banks that are well-managed and possess a clearly-defined, profitable business strategy have to seek government support, simply to retain a level playing field? Turning bankers into public servants is not exactly a sign of progress.

We should point out quite clearly that refinancing for our business is currently provided by the German Cooperative Financial Services Network. At present, money and capital markets without sovereign guarantees are non-existent. From our point of view, the free market economy has ceased to exist for the time being – hopefully, this will not be a permanent phenomenon. As good as the underlying purpose might be, state support may prevent the system from breaking down, but it will not solve the crisis of confidence. Acting as a temporary guarantor, governments should make sure markets are working, rather than abolishing them.

Excesses from individual cases should not be an excuse to question the principles of the social market economy, which has provided the framework for creating wealth and preserving freedom.

Despite adverse factors experienced during 2008 – indeed, there were many of those – we are delighted to present you with financial results which we are very much satisfied with.

At €104.9 million, consolidated net profit after tax was only slightly lower than the previous year's figure of €109.2 million. The 24.4% increase in net fee and commission income, to €105.5 million, was particularly gratifying, since it has affirmed DVB's strong position as an arranger of complex financing solutions. Two special factors which we had to put up with during 2008 need to be taken into account when analysing the results for the year. Firstly, distortions on the money market resulted in additional costs in the region of €29 million. Interest rates stipulated in loan agreements with our clients are usually linked to the London Interbank Offered Rate (LIBOR), a reference interest rate determined daily by the British Bankers' Association. Since last year, LIBOR has no longer reflected reality in the interbank money market. We attempt to counter this distortion by gradually shifting the interest rate reference to interbank market rates.

Secondly, we maintain a minor portfolio of securities as a liquidity reserve. This €83 million portfolio includes a bond issued by an Icelandic bank, which we had to write down by a significant €35.8 million.

The key strategic indicators which we use to manage our business, held up well in an extremely challenging environment: in accordance with IFRS, the return on equity (RoE) was 13.1% (2007: 20.4%), whilst the cost-efficiency indicator (cost/income ratio – CIR) was 57.4% (2007: 51.2%). On the basis of German GAAP, RoE was 17.7% (2007: 25.9%) and CIR was 43.9% (2007: 45.0%).

We would like to take this opportunity to thank our staff for their exemplary contribution. We will propose to the Annual General Meeting to pay an increased dividend of €0.60 per share, up from €0.50 for the previous year.

We have always presented you a clear outlook on the current and the next business year. Right now the only thing we are certain about is that there will be a future.

Over recent years, DVB started preparing for the expected slowdown in the global economy and in the transport markets (the latter being exacerbated by strong growth in new delivery programs). Importantly, we did so at an early stage: the establishment of asset management teams covering Aviation Finance and – most recently – Shipping Finance, who specialise not only in marketing aircraft and vessels, but also offering their expertise in the parting out of aero engines and re-marketing of container boxes, being just one example.

Yet the extent to which the recent financial markets crisis (particularly after the collapse of Lehman Brothers on 15 September 2008) triggered a deep global recession was unprecedented in its dramatic developments. It bordered on a panic; notably, in its global scale and in the speed in which it spread. For lack of any guidance from past experience, politicians and business are still in a "trial and error" phase.

Businesses are facing severe restrictions in the propensity of banks to provide finance for exports and imports: the shortage of funds has caused a dramatic slowdown in purchases and sales of vessels in particular. Significant markdowns in the estimated values of vessels in those shipping segments most sensitive to economic cycles – container carriers and bulkers – have heightened the sense of insecurity, causing market participants to lose orientation. It appears as if everyone has been hitting the brakes at the same time: vessels being laid up or scrapped, orders for newbuilds being cancelled or postponed, dumping of rates to win freight orders – a truly vicious cycle hitting shipping today, and perhaps aviation tomorrow.

The key question in all these developments is how the lost confidence can be restored. When will banks resume lending to each other, in order to then also start lending again to their clients?

Even though the way ahead will be difficult throughout 2009, and also well into 2010, there are some encouraging signs that offer hope for the medium to long term. The huge state-backed programmes implemented to revive the economy will stimulate global demand. Commodity prices have fallen significantly, albeit perhaps for a limited period only. Interest rates are at historical lows. Large markets in Asia, Latin America and Africa want to (indeed, must) boost their share of global wealth, and will add a growing contribution to growth in global trade. We are preparing for a potential scenario outlined below:

The situation involving a systemic crisis should be stabilising in the course of the year 2009. At this point, the illiquidity of money and capital markets is expected to be gradually resolved. In any case, governments will need to take extensive further action, including the hive-off of certain securities from banks' portfolios, amendments to valuation principles for securities for which there is no reasonable market price, the short-term shielding of the interbank market, and the introduction of new guidelines for capital adequacy and transparency of banks and non-banks.

Excess capacity in the transport markets will take several years to remedy. We will devote significant resources to restructure existing transactions. As in previous economic cycles, we may be forced to acquire assets – but our asset management teams are ready for that scenario. We will keep very close contact with our clients, in order to keep surprises at a minimum. We will be even more selective in originating new business. The number of banks with a global franchise in shipping finance, aviation finance and land transport finance is very limited, and will remain that way for the foreseeable future. Accordingly, interest margins and fees will remain high. And whilst the increase in funding costs and other cost burdens incurred due to market distortions will only subside very slowly, these can be passed on in the market.

Markets will be demanding. Moreover, we will continue to place demands on ourselves, to be able to present another set of good results to our shareholders, and to continue offering the best of financing solutions to our business partners.

Wolfgang F. Driese
CEO and Chairman of the
Board of Managing Directors

Bertrand Grabowski
Member of the Board
of Managing Directors

Dagfinn Lunde
Member of the Board
of Managing Directors

DR. THOMAS DUHNKRACK,
CHAIRMAN, DVB BANK SE

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The business year 2008 was clearly dominated by the financial markets crisis, triggered by a bubble in the US property markets, which also influenced the business development of DVB Group as well as the work of the Bank's Supervisory Board. Previously unheard-of economic headlines – particularly during the second half of the year – talked about "turbulence on international financial markets", "collapsing investment banks", "global loss of confidence", and even warning about a "financial tsunami". The Supervisory Board concerned itself in detail with these challenges and the resulting risks. In this environment, which was very volatile at times, DVB Group was successful in further expanding its global market position in the transport finance business, posting another set of good results. This shows that the Bank's strict focus on transport finance paid off once again. In the name of the entire Supervisory Board, I would like to express our thanks and appreciation to all members of staff.

To this present day, dear shareholders, DVB is one of the few banks worldwide still in a position to provide transport finance solutions. We are confident that DVB, with support from the liquid German Cooperative Financial Services Network, will continue to maintain its existing business in 2009, entering into new exposures on a selective basis – successfully leveraging its intelligent and forward-looking lending policy and its risk management skills across all transport market segments. This will strengthen the Bank's leading position in the international transport markets for the long term.

I now turn to my report on the activities of the Supervisory Board during the business year under review, which I would like to open with some comments on legal and organisational issues.

The Bank merged DVB Bank N.V., Rotterdam, Netherlands, into DVB Bank AG, Frankfurt/Main, simultaneously changing its legal form to DVB Bank SE (a European public limited-liability company or Societas Europaea), retroactive to 1 January 2008. The following report covers the activities of the Supervisory Board of DVB Bank AG up to 30 September 2008, as well as those of the Supervisory Board of DVB Bank SE, which came into existence by virtue of the entry of DVB Bank SE into the Commercial Register at the Frankfurt/Main local court, on 1 October 2008. I will not differentiate between the two bodies for the purposes of my comments below. Given the change of employee representatives, the two Supervisory Boards have differed in their composition of members, whereas the relevant duties have remained the same.

The Supervisory Board, jointly with the Credit Committee and the Executive Committee, has fulfilled the obligations imposed on it by the applicable statutes and the Bank's Memorandum and Articles of Association throughout the 2008 business year. We have taken decisions on transactions requiring approval, advised the Bank's Board of Managing Directors, and have continuously supervised the management of the Group by the Board of Managing Directors.

Cooperation with the Board of Managing Directors

The Board of Managing Directors has regularly and comprehensively informed the Supervisory Board (and its committees), without delay, during Supervisory Board and committee meetings, on the planned business policy and strategic development of DVB Group. It has presented the corporate planning framework (including financial, investment and human resources planning), and has informed the Supervisory Board on current events and transactions of fundamental importance.

Furthermore, regular consultations took place between the Chairman of the Supervisory Board and the Chairman of the Board of Managing Directors, in addition to the meetings. The Chairman of the Supervisory Board was kept informed, on a timely basis, with regard to the current business development and risk situation, as well as on individual current topics, thus ensuring the permanent flow of information and exchange of opinions between the Supervisory Board and the Board of Managing Directors.

Meetings of the Supervisory Board

The Supervisory Board met during *five plenary meetings* in 2008; scheduled meetings took place on 3 March, 10 April, 18 September, and 6 November 2008. In addition, a plenary meeting of the Supervisory Board was held on 11 June 2008, following the General Meeting of DVB Bank AG.

During the scheduled meetings, the Board of Managing Directors informed the Supervisory Board concerning current developments at the Bank, the Group companies and core businesses, as well as with regard to any special events and occurrences within the individual business divisions. Each of the meetings focused on the crisis affecting international financial markets and its impact on DVB Group. In addition, the Board of Managing Directors and responsible department heads regularly provided reports on the business development in the various Transport Finance divisions, and informed the Supervisory Board and the Credit Committee about potential risk exposures in these areas.

The focus of the *session on 3 March 2008* was firstly on the discussion and approval of the 2007 Financial Statements of DVB Bank AG in accordance with the German Commercial Code. The external auditors, who took part in the meeting, responded to questions in detail. The Board of Managing Directors also gave a detailed account to the Supervisory Board regarding the planned merger of DVB Bank AG with its Dutch subsidiary, DVB Bank N.V., together with the simultaneous conversion into a Societas Europaea, as well as on the planned establishment of the Zurich-based subsidiary DVB Invest (Suisse) AG.

In the *meeting on 10 April 2008,* the 2007 consolidated financial statements in accordance with IFRS were discussed with the auditors, and were approved by the plenary meeting of the Supervisory Board. The Supervisory Board examined the documentation for the merger and conversion into a Societas Europaea, and approved this structuring measure. Moreover, the Board of Managing Directors reported on current business developments at the Bank's two subsidiaries, TES Holdings Ltd. and ITF International Transport Finance Suisse AG. The Head of Internal Audit presented the annual Audit Report.

The *extraordinary Supervisory Board meeting on 11 June 2008* included the constituting meeting of the Supervisory Board of DVB Bank SE, which was in the process of being established; this had become necessary after the General Meeting had approved the merger and change in legal form (as outlined above). The future Board of Managing Directors of DVB Bank SE was appointed during this meeting.

In the *meeting on 18 September 2008,* the Aviation Finance division delivered a detailed presentation of the current state of the global commercial aviation market, and on the development of DVB Group's Aviation Finance business. In this context, Mr Bertrand Grabowski, the member of the Board of Managing Directors responsible for the Aviation Finance business, gave a detailed account on the Aviation Finance portfolio to the Supervisory Board. During this meeting, the Supervisory Board once again discussed the establishment of the Bank's Swiss subsidiary, DVB Invest (Suisse) AG, further reviewing the framework for the entity's future business activities. Finally, the Head of Group Compliance presented the 2008 Compliance Report to the plenary meeting.

The *last meeting during the year under review, and also the first meeting of the Supervisory Board of DVB Bank SE,* took place on *6 November 2008.* In addition to a report given by the Board of Managing Directors on current developments of DVB Group as a whole, the Shipping Finance division presented current analyses of commercial shipping markets, outlining its forecast for business developments in Shipping Finance for 2009. On this occasion, the Supervisory Board discussed the operative planning for 2009 in detail, passing the relevant resolutions. The Supervisory Board also concerned itself with the implementation of the German Corporate Governance Code. Following the change in legal form of DVB Bank AG into a Societas Europaea, the Supervisory Board discussed and approved numerous amendments to its internal regulations, and elected the members of its committees.

There were no members of the Supervisory Board who attended less than half of the meetings during the period under review. No conflicts of interest occurred during the period under review.

Supervisory Board committees

During its four meetings, the *Credit Committee* discussed, in detail and without delay, all exposures requiring notification as well as all major loans and loans subject to higher risks. During the meetings, detailed portfolio analyses were used to discuss the structure of the loan portfolio and risk management issues. Changes to existing lending policies, as well as lending and investment fund policies for new business activities were discussed and approved. The updated version of the credit risk strategy, and the country limit planning were discussed in detail. Furthermore, the members of the Credit Committee were informed about the results of a credit business audit carried out by the auditors PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. The Board of Managing Directors kept the members of the Committee regularly informed about non-performing exposures and those subject to particular risks, and also about unusual events in the credit sector. Mr Westhoff, the Chairman of the Credit Committee, kept the plenary meeting of the Supervisory Board informed about the work of the Committee on a regular basis.

The *Executive Committee* met twice during the period under review. In the course of these meetings, the Executive Committee carefully and diligently considered personnel matters concerning the Board of Managing Directors and the tasks assigned to it by the Supervisory Board. Furthermore, the Committee was kept informed by the Board of Managing Directors as requested, and always in good time, of the conclusion of employment contracts with executive staff, where the annual remuneration was in excess of a set threshold. Dr Duhnkrack, the Chairman of the Executive Committee, kept the Supervisory Board informed on topics dealt with by the Committee, to the extent that such issues were fundamentally important, or were also discussed in the plenary meetings of the Supervisory Board.

Corporate governance developments

Compliance with the provisions of the German Corporate Governance Code was discussed in detail during the Supervisory Board meeting in November, with an emphasis on the results of a survey amongst Supervisory Board members, which was conducted to review the efficiency of Supervisory Board activities. The members of the Supervisory Board issued a Declaration of Compliance pursuant to section 161 of the German Public Limited Companies Act (AktG), jointly with the Board of Managing Directors, based on the Corporate Governance Code as amended on 6 June 2008.

A summary of DVB Bank SE's Corporate Governance, including the wording of the Declaration of Compliance of December 2008, was published in the electronic German Federal Gazette on 12 December 2008, and is provided on DVB's website (http://www.dvbbank.com/en/investor_relations/corporate_governance/index.html).

Cooperation with external auditors for the financial statements 2008

The consolidated financial statements and the group management report for the 2008 business year have been examined, following an audit of the accounting records, and certified without qualification, by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Frankfurt/Main, the external auditors appointed by the General Meeting.

The Chairman of the Supervisory Board obtained information on the scope of the audit in advance, and discussed focal points with the auditors, in detail. The auditors' reports were distributed to all members of the Supervisory Board in good time before the meeting held on 24 April 2009, during which the consolidated financial statements were discussed. The auditors who certified the consolidated financial statements took part in this meeting. During this meeting, they gave a detailed account of their audit as a whole, and provided detailed answers to questions from the members of the Supervisory Board regarding focal points of the audit.

The subsequent examination by the plenary meeting of the Supervisory Board of the consolidated financial statements and group management report as at 31 December 2008 gave no cause for objections. The Supervisory Board approved the consolidated financial statements as at 31 December 2008 prepared by the Board of Managing Directors.

The Board of Managing Directors has prepared and submitted the mandatory report on business relationships with affiliated companies during the business year 2008; this report has been examined and certified without qualification by the external auditors, as follows: "Having duly examined and assessed this report in accordance with professional standards, we confirm that the report is free from factual misrepresentations, and that the company did not pay any excessive consideration with regard to the transactions identified in the report." Following its review and examination of the report on business relationships with affiliated enterprises, the Supervisory Board approved the results of the audit of the financial statements. In particular, the Supervisory Board had no objections regarding the declaration made by the Board of Managing Directors pursuant to section 312 (3) of the AktG.

Frankfurt/Main, 24 April 2009

For the Supervisory Board

Dr Thomas Duhnkrack
Chairman

Our employees

Our Human Resources activities were once again defined by further developing its clearly-defined business model – thus continuing to drive its growth – by employing highly qualified people worldwide. This is also the context for examining our company culture.

Number of employees worldwide rose considerably, once again

A central facet of Human Resources activity for 2008 was once again the strategic and consistent increase in employee numbers. At the end of 2007, the number of active staff members was 384; by the end of 2008, the number of staff was up 13.5% and had risen to 546. These employee figures do not include any employees that were not actively working, such as those in the passive phase of their partial-retirement, on maternity or parental leave.

The number of active employees in Transport Finance/Investment Management increased by 48, to 355 persons (up 15.6%); whilst the number of staff employed in the central Group functions and service units rose to 182 (2007: 159). Back office employees continued to account for roughly one-third of active staff levels, contributing to a fitting and balanced personnel structure for DVB.

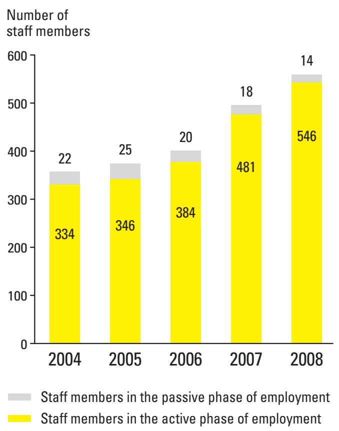
As in previous years, most new staff members were employed at one of our international locations; in other words, they were active in the international transport markets where our clients are located. The number of active employees in Germany (Frankfurt/Main and Hamburg) changed little during 2008, at 172 compared with 164 the year before, whereas the number of active employees at international locations climbed by 18.0% from 317 in 2007 to 374 in 2008. This also explains the fact that DVB Group employs staff from as many as 29 different nations.

More employees at international locations

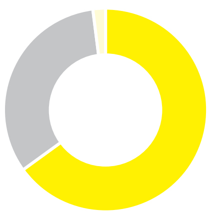
Spread throughout 13 locations worldwide, our teams are multinational and multicultural. This diversity intentionally presents Human Resources activities with specific and systemic challenges that make tailor-made management tools a necessity. We want to bring employees closer to the company culture that has organically emerged at DVB, in a conscious and targeted manner.

In line with this goal, we started two cross-divisional initiatives in 2008 that are being centrally controlled and implemented.

Staff levels



Distribution of 546 active[1)] employees by business division



Transport Finance/ Investment Management	355	(65%)
Group functions and service units	182	(33%)
Treasury	9	(2%)

1) Without staff members in the passive phase of partial retirement and those on maternity and parental leave at the end of 2008.

- In February 2008, we conducted a survey of all the new employees that joined in 2007 about the integration process. We were pleased to see responses confirming that the integration process experiences were largely positive and smooth. In addition to suggestions for further improvement (such as making more DVB material available on the Intranet), new employees proposed an introduction programme. In response to this suggestion, we launched a programme to integrate new employees in 2008 – the ***New Joiners' Induction Programme.*** With this, new staff members take part in a several-day programme at our Frankfurt head office during their first few months of employment in order to better acquaint themselves with the culture, communications processes and workflows at DVB. The programme kicked off in September 2008, introducing DVB via presentations on its various business divisions and responsibilities. We were pleased to see responses confirming that people's experiences with the New Joiners' Induction Programme were very positive and that it was seen as a helpful integration tool that gave new joiners "a feel for DVB as a whole". The sessions will be continued in 2009.

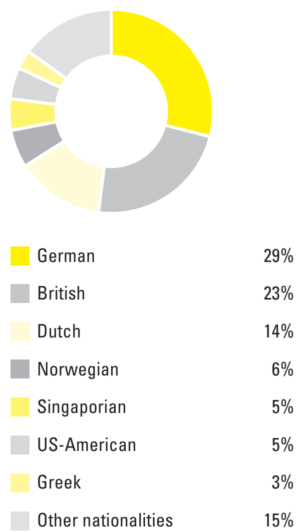
- When the Shipping Finance division was re-organised to focus on industry sectors, this caused a particular rise in the number of employees who worked in one area but reported to a manager working at another location. Teams spread across a number of international locations posed a particular challenge to Human Resources activities, as well as the corresponding managers and their employees. To this end, we initiated a programme to train participants in techniques and approaches particularly pertinent to success for teams with these sorts of structures, namely ***remote management.***

Merger and change in legal form from a German "AG" to a European public limited-liability company

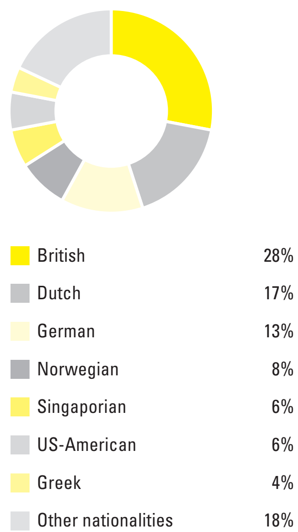
The project to implement the merger and change in legal form also affected Human Resources activities in 2008. In accordance with the German Act on the Participation of Employees in a European company (SE-Beteiligungsgesetz), we established an SE Works Council in 2008. The Council's 13 members came from Germany (5 members), the UK (4 members), the Netherlands (2 members), Norway and Greece (1 member each). An agreement was reached in advanced by the so-called "Special Negotiations Body" (SNB) that defined the way the Board of Managing Directors and Human Resources would work with the SE Works Council, and its participation rights in detail. SNB representatives, as well as representatives from the SE Works Council, were both elected by employees (or employee representatives) in the various countries according to national regulations.

The SE Works Council does not compete with the Works Councils already in place in Germany and the Netherlands, since its participation rights only apply to cross-border issues, namely those that affect employees in at least two jurisdictions. In addition, the three employee representatives on the Supervisory Board will be elected by the SE Works Council in the future. The willingness shown on the part of the SNB members to be constructive in their collaborative work made it possible to succeed in reaching the necessary agreement – to the satisfaction of both sides – despite time constraints.

Nationalities in DVB Group



Nationalities in Transport Finance and Investment Management



Corporate Culture as a success factor

The imaging concept of our Group Annual Reports in the previous years visualised our landmark transactions, focusing on the financed transport assets. The 2008 Annual Report continues this tradition, presenting DVB's key transactions on the title page and the inner front cover. However, rather than focusing exclusively on financed assets, the imaging concept for 2008 highlights the Bank's most important – and most creative – assets: its staff. The photographs in this chapter and on the separator pages (24–25, 76–77, 152-153 and 238–239) show DVB executives at the Global Management Conference in October 2008, where the Bank's corporate culture was one of the key issues discussed. The statements shown on the separator pages are quotes by staff members, commenting on DVB and its culture.

DVB's business model is characterised by two core features: our second to none industry and asset expertise, which is founded on our highly skilled experts working in optimum organisational processes and structures, on the one hand; and a swift, creative and solution-oriented way of doing our business on the other.

The first DVB characteristic is achieved by recruiting excellent staff, and by the pursuit of a persistent and innovative value-adding process, both for DVB and our clients.

With regard to DVB's second attribute, the Board of Managing Directors determined several years ago that we should consciously aim for a Corporate Culture that encourages a solution-minded way of doing business to flourish. In the view of the Board, DVB needs an open, entrepreneurial, flexible and efficiency-minded culture. Organisational processes and structures are set up within DVB in order to facilitate such a "thrive and prosper" environment characterised by creativity, innovation and service capability. In 2008, the Board of Managing Directors initiated a broader discussion in order to check on DVB's success in creating the Corporate Culture aspired to, for the purposes of collecting views and to discuss the measures it takes to maintain this culture through all the developments DVB is going through. A challenging approach, especially with regard to a substantially growing staff spread across 13 offices worldwide.

Group Human Resources conducted a Corporate Culture Survey, asking all DVB managers to provide us with their views and comments on our emergent culture. The responses were discussed during the Global Management Conference in October 2008. Overall, the results and the discussion confirmed that DVB succeeded in establishing its preferred culture, at the same time it also clearly pointed out that the culture is crucial for DVB's success. Certain features are especially appreciated, as the following quotes show:

- Truly international:
  "DVB is truly international with no culture/nationality dominating."
  "DVB is one of the most international organisations I know."

- Entrepreneurial:
  "We have a can-do attitude, where innovation and creativity is encouraged."
  "DVB has an entrepreneurial culture with a lot of freedom/autonomy in my area."
  "I appreciate our entrepreneurialism and the preparedness to think out of the box."
  "Flat organisation, limited size of the company, where each individual is important and can make a difference."



- Open for discussion/non-hierarchical:
  "I like working in a non-hierarchical organisation with empowered people and short decision lines."
  "Within DVB, there is always a good environment for constructive debate."
  "Easy access to senior management/the Board and good top-down information flow."

- Client-focused:
  "Show me a bank where more than 50% of the staff is on the marketing side."
  "In-depth industry knowledge and an asset focus that is next to none in banking, expertise and creativity of the employees enable us to tackle even very complex and complicated deals."

In that process, however, some areas were identified that require attention in the future:

- With its matrix organisation across several locations, DVB needs to avoid increasing complexity.

- With its hands-on approach, DVB provides lots of on-the-job training, but there are too few structured training programs.

- To preserve and develop our culture in a growing organisation poses another challenge.

Thus, some first initiatives have been derived from our internal discussion. To name but two: In order to build on the achieved culture and go the next step, the Board of Managing Directors has established a working group, with its members deliberately drawn from different areas, hierarchical levels and locations, to initiate a broader discussion on DVB's future vision. And a smaller but yet very precise action has been initiated: a new and wider e-learning tool has been established within DVB worldwide.

DVB share

2008 turned out to be a turbulent year for equity markets. Against the backdrop of a highly volatile development of the DAX index, DVB's share performance remained steady.

Steep losses on equity markets for 2008

Equity markets suffered dramatic losses in 2008. Having come close to its all-time peak of 8,000 index points again in July 2007, the German blue-chip index DAX was already showing signs of uncertainty in the first few months of 2008.

The following months showed no clear market direction for the DAX: concerns about a recession in the US had a negative effect and led to weakened growth in the euro zone. The price of oil, which had risen to US$145 by July, also depressed European economies. Despite this, the DAX was still able to remain well supported. The nationalisation of the US mortgage lenders Fanny Mae and Freddy Mac, as well as AIG – the largest insurer globally – proved to be signs of the extreme market turbulence that became apparent as the investment bank Lehman Brothers collapsed on 15 September 2008. In the weeks that followed, the DAX declined 30%, falling to a level of 4,300 points by the end of October. During the fourth quarter of 2008, governments and central banks around the world committed a tremendous amount of capital to undertake rescue programmes to support the financial markets. In addition to the US$700 billion aid package in the US, many European nations, including the Federal Republic of Germany, also instituted extensive aid programs to get financial market participants back on track. As the price of

DVB share indicators (€)	**2008** [1]	2007	2006	2005	2004
Business year high	28.60	288.00	220.00	191.00	111.00
Business year low	20.00	203.25	162.00	98.00	87.50
Year-end price	26.10	282.00	206.25	182.00	103.72
Number of shares outstanding at year-end	46,467,370	3,982,737 [2]	3,932,677 [2]	3,896,912	3,034,462 [2]
Market capitalisation at year-end	1,212,798,357	1,123,131,834	811,114,631	709,237,984	313,617,471
Dividend	0.60	5.00	3.00	2.25	2.00
Dividend yield	2.30%	1.77%	1.45%	1.24%	1.93%
Basic earnings per share	2.44	27.67	23.01	17.45	11.43

1) 2008 figures adjusted according to the 10-for-1 share split on 15 August 2008
2) Includes shares resulting from the "DVB shares" employee participation scheme, which were registered in February 2008, February 2007 and February 2005

oil fell and inflation pressure lessened accordingly, the ECB heavily lowered its key interest rates. All of these measures, however, could not shield the European economy from showing signs of a recession as 2008 drew to a close.

On average, the DAX fluctuated around the 4,700 point mark throughout the last three months of 2008. It ended the year at 4,810 points, amounting to a 40.4% year-on-year loss.

DVB share stable despite a challenging market environment

Given the conditions just described, DVB's share price performance could not continue the positive upward trend of years past – although it did prove quite stable indeed, marking a comparatively modest decline of only 7.5% from €28.20 at the close of 2007 to €26.10 at 31 December 2008.

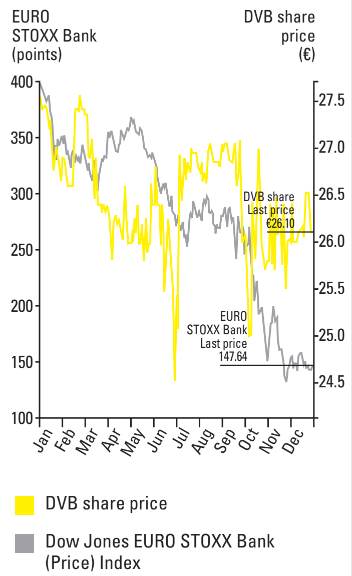
Over the course of 2008, traded volumes in DVB shares were subdued, with moderate volatility. The share's high was achieved early in the year, on 2 January, as it reached an all-time high of €28.60. The lowest price of €20.00 was recorded on 10 October 2008. The year-end share price was a positive €26.10.

In our opinion, the predominantly stable share price performance is attributable to the Bank's continued positive business development and the narrow market in which the shares trade because of a low free float.

Due to the successful execution of the capital increase conducted in July 2008, the Bank's market capitalisation rose by 8.0%, to €1.21 billion by the end of 2008.

In 2008 shareholders were paid a dividend of €0.50 per notional no-par value bearer share from DVB Bank SE's net retained profit. The Board of Managing Directors and the Supervisory Board will propose to the Annual General Meeting, which will be held on 10 June 2009, to increase the dividend by €0.10 to €0.60 per notional no-par value bearer share for the 2008 business year.

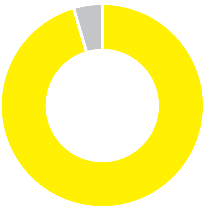
Share price development in 2008



Source: Bloomberg L.P.

Capital increase successfully executed

Shareholder structure as at 31 December 2008



DZ BANK	95.44%
Other shareholders	4.56%

On 9/10 April 2008, the Board of Managing Directors and the Supervisory Board of DVB Bank AG resolved to increase the Company's share capital by approximately €150 million under Article 4 a of the Memorandum and Articles of Association (Authorised Capital 2006). The proceeds from the new issue should, in the first place, serve to expand the Bank's liable capital in accordance with the KWG, particularly with the aim of building up a suitable cushion against currency fluctuations. In addition, the proceeds from the issue were set to support a moderate expansion of the Transport Finance business amidst the challenging market environment emerging from the global financial markets crisis.

On 11 June 2008, the decision was made to issue 664,000 new notional no-par value bearer shares. On 18 June 2008, the subscription price was fixed by DVB's Board of Managing Directors at €225.00. After the subscription offer was published, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main, acquired all the new shares, with the obligation to offer them to shareholders of DVB Bank AG for indirect subscription, during a period commencing on 24 June 2008 and ending on 8 July 2008, at a subscription ratio of 6:1. The new shares were listed on the stock exchange on 9 July 2008 and carry full dividend rights retroactive to 1 January 2008. Stabilisation measures were not called upon.

DVB obtained gross proceeds totalling €149.4 million from the capital increase. Of this amount, €17.0 million was allocated to the Bank's issued share capital, increasing it by 16.7%, from €101.8 million to €118.8 million. The remaining €132.5 million was transferred to the Bank's capital reserve.

Following the closing of the capital increase on 11 July 2008, DZ BANK AG held 95.44% of DVB's share capital (previously 93.30%). The remaining 4.56% is being held in free float.

Further measures involving DVB and the DVB share

On 11 June 2008, the Annual General Meeting of DVB Bank AG passed a resolution on the merger of DVB Bank N.V. into DVB Bank AG, together with a change of the legal form of DVB Bank AG from a public limited company according to German law (Aktiengesellschaft) to a European public limited-liability company (Societas Europaea or SE). The ***merger and change in legal form*** was recorded in the Commercial Register on 1 October 2008, but its effect is retrospective from 1 January 2008. The new company's registered office is Frankfurt/Main. The former subsidiary DVB Bank N.V. is now being managed in the form of branch offices in Rotterdam, The Netherlands, and Bergen, Norway. As the parent entity of DVB Group, DVB Bank SE is one of the first European banks to adopt this modern organisational form. By doing this, an even more transparent and efficient structure for the Group has been achieved (including streamlined internal processes and regulatory requirements). This change in legal form also reflects DVB's global market presence, as well as the international and multicultural tenor of its staff.

There were still eight historical DVB share certificates in circulation at the beginning of 2008. These certificates dated back to the years 1988 and 1993, when they were issued as par-value shares denominated in Deutschmarks under the former company names "Deutsche Verkehrs-Kredit-Bank AG" and "Deutsche Verkehrs-Bank AG". On 12 February 2008, the Board of Managing Directors resolved to undertake measures to declare the eight historical certificates ***null and void.*** After tending to the necessary legal formalities (resolution from the Frankfurt/Main local court; three publications in the Federal German Gazette calling shareholders to submit their historical certificates before the redemption deadline), the Board of Managing Directors declared the only withstanding historical certificate null and void. As of 9 June 2008, all DVB Bank SE shares are issued under one global share certificate that is deposited and recorded with Clearstream.

The Annual General Meeting of DVB Bank SE on 11 June 2008 passed a resolution on a 10-for-1 ***share split*** following the closing of the capital increase. The market value of each DVB share on the Frankfurt Stock Exchange was reduced by a factor of ten, whilst the total number of shares increased by the same factor. The corresponding adjustments in shareholders' securities accounts were carried out on 15 August 2008. DVB shares have been traded 'ex split' on the stock exchange since 18 August 2008.

2009 Financial Calendar

12 March 2009
Annual Accounts Press and Analysts' Conference Frankfurt/Main

Beginning of/mid-May 2009
Publication of the Interim Management Statement during the first half of 2009

Mid-May 2009
Publication of English-language DVB Group Annual Report on our website

Beginning of June 2009
Printed version of English-language Annual Report of DVB Group available

10 June 2009
Annual General Meeting Frankfurt/Main

11 June 2009
Dividend payment (ISIN DE0008045501)

1 July 2009
Distribution on profit-participation certificate (ISIN DE0008045543)

Beginning of/mid-August 2009
Publication of the Half-Yearly Financial Report 2009

Beginning of/mid-November 2009
Publication of the Interim Management Statement during the second half of 2009

Mid-December 2009
Publication of the Declaration of Compliance for 2009/2010

Corporate Governance Report

As a leading specialist in international transport finance, DVB feels obliged to adhere to the principles of responsible corporate governance.

You will find general explanations on the Code and its implementation at DVB Bank SE on our website: http://www.dvbbank.com/en/investor_relations/corporate_governance/index.html. This also includes the Declarations of Compliance since 2002 and the comprehensive Corporate Governance Report for 2008, which contains the detailed remuneration report in accordance with section 4.2.5 of the Code.

DVB adheres to the German Corporate Governance Code as amended on 6 June 2008 in making its business decisions more transparent for shareholders, employees, business partners and the general public. To accomplish this, the Board of Managing Directors and the Supervisory Board regularly review the Code's recommendations and how DVB is implementing them. Four essential parameters shape our corporate governance: protecting shareholders' interests, effective management and supervision by the Board of Managing Directors and the Supervisory Board, regular external reporting and independent audits as well as transparent communications.

Shareholders and the General Meeting

DVB's shareholders are involved in all of the Company's major decisions and are able to exercise their rights at the General Meeting. They elect shareholder representatives to the Supervisory Board, are presented with the financial statements confirmed by and the consolidated financial statements approved by the Supervisory Board, and pass resolutions to determine matters such as the appropriation of net retained profit, the formal approval of both the Board of Managing Directors and the Supervisory Board, the appointment of external auditors as well as all amendments to the Memorandum and Articles of Association. At the 2008 Annual General Meeting, shareholders passed resolutions on special issues as well: approving new Authorised Capital 2008, the share split as well as the merger of DVB Bank N.V. into DVB Bank AG, with a concurrent change in legal form to DVB Bank SE.

The invitation to the Annual General Meeting, including the agenda, is published in the electronic German Federal Gazette (Elektronischer Bundesanzeiger) and sent to shareholders via the banks that manage their securities accounts. In addition, the convening notice and agenda can easily be accessed through our website. We offer the additional service of allowing shareholders to authorise any proxies nominated by DVB and bound by the relevant shareholder's instructions to exercise their voting rights at the General Meeting.

Board of Managing Directors and the Supervisory Board

More information on the Board of Managing Directors' structure and distribution of responsibilities can be found on page 240 of this Group Annual Report.

DVB Bank SE's *Board of Managing Directors* is responsible for independently managing the Company, in the Company's best interests and in order to achieve a sustained increase in its value. The strategic positioning of both DVB and its business divisions is determined and implemented by the Board of Managing Directors under regular coordination with the Supervisory Board. In addition, the three members of the Board of Managing Directors ensure that the Company is managed in accordance with legal regulations, the Memorandum and Articles of Association, and the Internal Regulations approved by the Supervisory Board – and that it is conducted with effective risk management and controlling. No conflicts of interest pursuant to section 4.3 of the Code occurred during the 2008 business year.

The ***Supervisory Board*** of DVB Bank SE advises and supervises the Board of Managing Directors continually in its business management. It is involved in every major business decision. Pursuant to Article 18 of the Memorandum and Articles of Association, transactions that require approval are – in particular – the purchase and sale of companies, the conclusion of inter-company agreements and the launch of new or the discontinuation of existing business segments that are of material significance. In addition, the Supervisory Board is responsible for the appointment and dismissal of Managing Directors. The Supervisory Board conducts its business in accordance with Internal Regulations. These include an annual efficiency review that is used to critically evaluate the Supervisory Board's activities.

The Supervisory Board is comprised of a total of nine members (six shareholder representatives and three employee representatives), and it is coordinated by the Chairman of the Supervisory Board, who also chairs the executive body's meetings. In addition, there are two committees, the Executive Committee and the Credit Committee.

Detailed information on the remuneration structure of the Board of Managing Directors and the Supervisory Board can be found on pages 231–234 of this Group Annual Report. These are expressly included by reference in the Corporate Governance Report 2008, which we have published on the website mentioned above.

Accounting and audit of the financial statements

We use ***financial reports*** to supply our shareholders and the general public with regular information about DVB's results of operations, net assets, and financial position. DVB publishes two annual reports for each concluded business year. DVB Bank SE's Annual Report contains financial statements under German GAAP (HGB) and is made available on our website in German exclusively. DVB Group's Annual Report contains its IFRS consolidated financial statements: it is printed in both German and English and also published on our website. Both sets of financial statements are prepared by the Board of Managing Directors. They are subject to a review by the independent external auditors appointed at the Annual General Meeting before receiving final confirmation (in the case of the SE financial statements) and final approval (in the case of the Group consolidated financial statements) from the Supervisory Board.

During the year, we also publish a ***half-yearly financial report*** including condensed consolidated financial statements and ***interim management statements*** during the first and second half of the year (covering key financial data for the first and third quarter, respectively). All these reports/statements are prepared according to IFRS.

Equity option programmes and similar securities-based incentive schemes have not been in existence at DVB since the "DVB shares" employee profit participation programme expired (on 31 December 2007).

Financial communications

Our website (http://www.dvbbank.com/en/investor_relations/directors_dealings/index.html) includes a link to DGAP's website where Directors' Dealings notices published by DVB can be viewed.

DVB regularly publishes information relevant to shareholders and the general public.

In 2008, we published four *ad-hoc disclosures* that were related to DVB Group's consolidated financial statements for 2007 (19 February 2008), the resolutions passed by the Board of the Managing Directors and the Supervisory Board to increase the Company's share capital, the proposed share split and the merger of DVB Bank N.V. into DVB Bank AG with a concurrent change in legal form to DVB Bank SE (10 April 2008), as well as further details regarding the capital increase (11 and 18 June 2008). In addition, three *disclosures on Directors' Dealings* in no-par value shares of DVB Bank AG exceeding a value of €5,000 were published immediately through DGAP (Deutsche Gesellschaft für Ad-hoc-Publizität), within applicable deadlines: on 23, 24 and 29 April 2008 (concerning Wolfgang F. Driese, CEO and Chairman of the Board of Managing Directors).

All major DVB publications, documents from Annual General Meetings, the Memorandum and Articles of Association, DVB share data, our capital markets activities, as well as a financial calendar are available on our website (http://www.dvbbank.com/en/investor_relations/index.html).

We actively use the internet to ensure that *information* with regard to DVB is provided to shareholders and the public in a *timely, concurrent and comprehensive* manner. Furthermore, the Annual Document also includes all of the past financial year's publications that are relevant to shareholders. In 2008, we established an additional information service in the form of our Investor Relations newsletter, "Performance", to actively relay target group-specific information about the performance of the Bank and its business divisions.

Seventh Declaration of Compliance for 2008 and 2009

The current Declaration was made on 12 December 2008. DVB Bank SE has complied with the recommendations of the Government Commission "German Corporate Governance Code" (as amended on 14 June 2007) throughout 2008, subject to certain exceptions outlined in the sixth Declaration of Compliance issued by DVB Bank AG on 7 December 2007, concerning section 4.2.3 (1); section 4.2.3 (3), sentence 4; section 4.2.5 (2), sentences 1 and 2; section 5.2, sentence 2 no. 2; section 5.3.2, sentences 1 and 2; section 5.3.3; section 5.4.3, sentences 1 to 3; section 5.4.4, sentences 1 and 2; section 5.4.6 (1), sentence 3 no. 2 and section 5.4.6 (2), sentence 1; section 5.4.6, sentence 3 no. 2; section 6.5; section 7.1.2, sentence 2 and sentence 4 no. 1.

DVB Bank SE intends to continue adhering to the recommendations of the Code (as amended on 6 June 2008) in principle. Except for section 4.2.5 (2), sentences 1 and 2, which the Company intends to adhere to in 2009, the exceptions set out above will continue to apply during 2009.

In addition, DVB Bank SE will not comply with three further recommendations of the Code, as outlined below:

- *Section 5.4.6 (1), sentence 3 no. 1 of the Code:*
  By virtue of the resolution adopted by the General Meeting on 11 June 2008, the Deputy Chairman of the Supervisory Board has received the same remuneration as the other members of the Supervisory Board. Experience gained over recent years has shown that the Deputy Chairman of the Supervisory Board did not incur any extra workload, nor did he need to acquire additional qualifications.

- *Section 7.1.2, sentence 2 of the Code:*
  Within the scope of Supervisory Board meetings, the Management Board informs the Supervisory Board, regularly and without delay, regarding the business development of the Company and of DVB Group. This includes reporting on any unusual events. Furthermore, the Chairman of the Board of Managing Directors reports to the Chairman of the Supervisory Board on the current situation of DVB Group once a month. Where required in special circumstances, this report is provided without delay.

  Beyond this process of continuous communication, the Company does not consider any additional discussions between the Supervisory Board and the Board of Managing Directors regarding the interim management statements and half-yearly financial reports to be necessary.

- *Section 7.1.2, sentence 4 no.1 of the Code (the underlying situation has changed):*
  Given a change in the Company's external auditors and the related additional workload, the plenary meeting of the Supervisory Board will only pass a resolution on the 2008 consolidated financial statements in April 2009. The Company will thus not be in a position to publish the consolidated financial statements 2008 within 90 days of the end of the business year. Publication of the 2008 consolidated financial statements is scheduled for the end of April 2009.

» We have a can-do attitude, where innovation and creativity is encouraged. «

Highly entrepreneurial

MANAGEMENT REPORT OF DVB GROUP

1. DVB's strategic positioning

DVB's business model is clearly defined and unique. Its Mission Statement captures both the Bank's real accomplishments and its vision of the future:

We are the leading specialist in international transport finance.	At DVB, we go further than anyone else to make deals work, and to find intelligent and appropriate financial solutions for our clients. We investigate, research, and study our industry more than anyone else. We challenge conventional wisdom when offering advice, work hard to meet our clients' needs, and strive to exceed their expectations.

We segment the global transport market into shipping, aviation and land transport. DVB enjoys a unique position, thanks to its focus on these transport segments. As a highly specialised niche provider we offer our clients a range of customised products and services.

1.1 Core products and services

Over the years, we have continuously enhanced our core skills. Today, DVB offers five types of value-adding products and services to approximately 500 clients in Shipping, Aviation and Land Transport Finance. Our Asset & Market Research compiles in-depth analyses of transport assets and markets. Leveraging this business intelligence, we support our Shipping, Aviation and Land Transport Finance clients with our Structured Asset Financing, Equity Sourcing and Investments, Risk Distribution, Advisory Services, and Loan Participations products.

Structured Asset Financing

Drawing on our Structured Asset Financing core service, our three Transport Finance divisions offer financing solutions relating to transport assets. In addition to traditional asset finance, we offer our clients tailor-made structured and tax-optimised solutions for complex financing projects, often covering multiple jurisdictions.

Equity Sourcing and Investments

Thanks to the extensive analytic output provided by our Asset & Market Research unit, and the resultant expertise regarding transport markets, we are an ideal partner for clients requiring equity capital and investors seeking suitable investment projects in the relevant transport sectors. Our Investment Management division has launched a range of specialised funds:

- the Deucalion Aviation Funds; and
- Shipping & Intermodal Investment Management (SIIM): SIIM comprises NFC Shipping Funds, Cruise/Ferry Fund, Intermodal Equipment Funds (investing in container boxes and other transport equipment) and Stephenson Capital (rolling stock).

These funds allow us to offer our clients equity products to finance their investment projects.

Risk Distribution

We usually employ our own capital when financing the assets of our Transport Finance clients. However, when credit volumes are substantial, we syndicate portions of this lending volume to other financial institutions on the international banking market. Both for DVB and our clients, this syndication of credit risk is important to ensure sufficient liquidity and adequate risk transfer.

Advisory Services

DVB's active involvement in improving the value creation chain for the various assets in the global transport market is not restricted to providing finance, but includes advisory services as well. We offer a range of advisory services for Shipping, Aviation and Land Transport Finance clients, covering consultancy related to corporate acquisitions and divestments, strategic decision-making on finance and capital structure, refinancing, and the funding of acquisitions.

Loan Participations

In 2007, we established our wholly-owned subsidiary, ITF International Transport Finance Suisse AG: the Zurich-based entity actively participates in senior asset-based lending in the international banking market.

Asset & Market Research

Our Asset & Market Research unit provides the basis for the activities of our business divisions, leveraging the unit's long-standing research know-how to provide financing products and advisory services, as well as optimising our equity finance products.

1.2 Enhancing our asset expertise and segment-specific services

Here is a detailed overview of DVB's business divisions, business areas and the full range of products and services offered by the Bank:

Business divisions	 Shipping	 Aviation	 Land Transport	 Investment Management	itf Suisse International Transport Finance
Business areas	**Ten sector groups:** - Container Box - Cruise & Ferry - Crude Oil and LNG Tanker - Chemical & LPG Tanker - Container Vessel - Dry Bulk - Floating Production - Offshore Drilling - Offshore Support - Product Tanker	- Passenger Aircraft - Freighter Aircraft - Aircraft Engines	- Rail Rolling Stock - Mobile Road & Logistics Equipment	**Fund Management:** - Shipping & Intermodal Investment Management (comprising NFC, Cruise/Ferry, Intermodal Equipment and Stephenson Capital) - Aviation (Deucalion Aviation Funds)	**Via the Interbank market**
Products and services	- Structured Asset Financing - Risk Distribution - Advisory Services - Shipping Asset Management - Equity Underwriting	- Structured Asset Financing - Risk Distribution - Advisory Services - Aviation Asset Management - Total Engines Support	- Structured Asset Financing - Risk Distribution - Advisory Services	- Equity Sourcing and Investments	- Loan Participations (Senior Asset-based Lending)
Asset & Market Research					

In 2008, we once again demonstrated that in addition to being a financing and advisory specialist, we provide our clients with services that focus closely on the specific assets. Thus, we offer far more than the traditional range of banking services. Our **asset-focused services – "close to the metal"** – are available to operators and investors, but also to our competitors. Based in London, DVB's Aviation Asset Management unit established in January 2007 provides our Aviation clients with a broad spectrum of services ranging from lease management and advisory, technical management and analysis, to remarketing. At the end of 2008, Shipping Asset Management (SAM, also based in London) was established to provide restructuring and remarketing services for vessels.

Our highly client-focused services for aircraft engines (TES Aviation Group, Cardiff) bring us even closer "to the metal". In addition, DVB and CLOU Container GmbH jointly founded Capital Equipment Management Holding GmbH on 1 January 2009. The purpose of this new joint venture is to establish a trading platform for intermodal equipment such as container boxes, loading equipment, trailers, chassis etc. With both initiatives, we offer our clients a unique profile of expertise, experience and competence in execution.

Equity underwriting complements the range of **industry-specific services.** Based in New York, our subsidiary DVB Capital Markets LLC holds a broker-dealer license, providing our Shipping Finance clients with financial advice and supporting their efforts to raise capital in the US capital markets via underwritings, offerings and private placements of shares, bonds and equity-linked securities.

1.3 Global presence and organisational structure

With offices in 13 pivotal locations, our business divisions Shipping Finance, Aviation Finance, Land Transport Finance, Investment Management and ITF Suisse have a worldwide presence in the transport markets and their various segments. This global presence enables us to take into account both the international dimension and the local specifics of the markets in which our clients operate.

1.4 Current challenges and DVB's competitive strengths

The crisis affecting global financial markets and the world economy is also leaving its mark on the international transport markets. Recessionary trends are clearly evident, especially in certain shipping sectors (container vessels, bulk carriers). The **challenges** currently facing DVB can be summarised as follows:

- The number of banks involved in the global transport finance business has decreased sharply.
- Numerous banks are re-defining their business focus, based on regional aspects and/or the intensity of the respective client relationship.
- Competitors' reliability vis-à-vis clients and banking partners is diminishing.
- Reflecting the strong decline in the syndication market, underwriting commitments are few and far between.
- Government control of, or support for banks may lead to competitive distortions.

Our key **competitive strengths,** which distinguish us from other market participants and help us face these challenges, are summarised below:

- DVB has a clearly-defined business model with a unique focus on financing in select sub-sectors of the international transport market.
- DVB is a specialist bank that is present on all key international transport markets.
- DVB has access to first-class proprietary asset and market research in Shipping, Aviation and Land Transport Finance.
- Our clients' needs are closely tied to specific assets. Our particular strength derives from our ability to understand a client's business model, and the assets employed, significantly better than the competition.
- DVB employs professionals with extensive know-how and many years of experience in financing issues and advisory competence geared to select sub-sectors.
- DVB's credit portfolios in Shipping, Aviation, and Land Transport Finance are diversified based on multiple risk criteria.
- Despite its decentralised presence on the international transport markets, DVB benefits from highly efficient decision-making processes and short reporting lines.

Despite the extremely challenging market environment, DVB is confident of **emerging from the crisis affecting global financial markets and the world economy** in an even stronger position, thanks to its unique focus and business profile.

This view is based on the following facts:

- Many competitors have already withdrawn from the relevant markets. DVB is thus in a position to negotiate terms that better reflect the risk exposure involved.
- DVB has access to retail liquidity through the German Cooperative Financial Services Network; the Bank is one of a few players remaining in global transport finance.
- As seen in previous market cycles, DVB may have to take over assets. The Bank's asset management teams in Shipping and Aviation Finance are well prepared for the resulting restructuring and remarketing tasks.

1.5 DVB will adhere to its consistent industry focus

We will consistently adhere to our strategic focus on selected transport markets. Our aim is to continuously improve the efficiency of our products and services. We will take further steps to enhance our unique profile characterised by sophisticated asset know-how and special asset services.

2. Business and operating environment

This section illustrates the key drivers of DVB's business activities in the international transport markets as well as the development of its Transport Finance portfolios, together with its fund management activities within the scope of Investment Management. Furthermore, the business model of ITF Suisse AG, DVB's Swiss subsidiary, is presented.

2.1 Transport Finance – Market review

Abbreviations Transport Finance – Market review

EFTA	*European Free Trade Association*
IATA	*International Air Transport Association*
ICAO	*International Civil Aviation Organisation*
M&A	*Mergers & Acquisitions*
OPEC	*Organisation of the Petroleum Exporting Countries*
TEU	*Twenty Foot Equivalent Unit*
UIC	*International Union of Railways*

The year began ominously, with oil prices crossing three figures for the first time on the first trading day of 2008. Foreign direct investment in China was growing at a record pace. Led by the dry bulk and offshore sectors, world shipping was enjoying buoyant times. The solid foundations of the banks, and the soundness of the financial system were reiterated by politicians as the market events of 2007 seemed under control. Then the collapse of Lehman Brothers in September 2008 came; following which no bank felt safe and lending rapidly came to a halt. The quantity of dubious subprime derivatives that had permeated the world's banks and financial institutions was far in excess of earlier estimations. The total amount, however, is so large that some large banks have been quasi-nationalised as governments sought ways to keep the financial systems functioning. Yet business activity fell, and the layoffs began in significant numbers. The stock market's anticipation of lower earnings caused most major bourses worldwide to drop by some 40% over the course of the year. The US dollar – which had weakened earlier in 2008 – strengthened, as the extent of the challenges in other major economies came to the fore. Households were soon engulfed in the crisis and consumer confidence tanked. Sharply falling demand meant that Asia, the world's factory, witnessed significant production losses. A dramatic drop in demand for commodities, consumer goods and oil saw their prices begin a steep downward spiral – and with it, trade volumes – leading to a near-synchronised deterioration amongst the various sectors of world shipping and other transportation modes.

2.1.1 Developments in key shipping segments

Consumer confidence dropped sharply, and with it consumer spending; this accelerated the fall in economic activity, leading to both the US and Europe (the two largest consumer markets in the world) falling into recession. This marked the end of the 5-year *container shipping* boom from 2003 to 2007.

Although already showing signs of weakness, the container trades were still reasonably stable in the first half of 2008. Starting in the third quarter of 2008, however, faltering consumer confidence compounded by the global credit crunch led to a rapidly shrinking demand. The peak season for container trades, which normally occurs between August and October, failed to materialise in 2008. As consumer spending in the US and Europe diminished with the deteriorating economic conditions and increasing unemployment rate, China, the export powerhouse, rapidly lost steam in its container handling activities.

In December 2008, the aggregated monthly throughput at Chinese container ports was 10.7 million TEUs, 2.4% more than December 2007. This was the lowest monthly growth since 2000. The annual container throughput increased by 12.5% to 126.5 million TEUs at Chinese ports in 2008, well below the 20+% growth in 2006 and 2007.

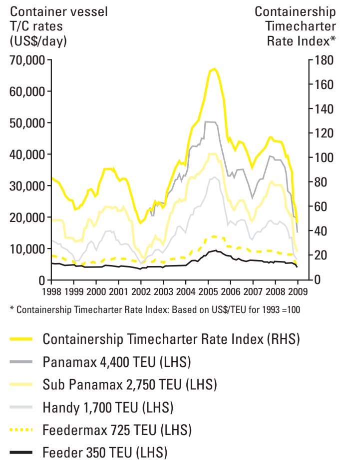
As freight rates dropped drastically with falling demand, many major liners registered losses in Q3 2008 – and a few regional operators collapsed with unexpectedly rapid speed. In a vain attempt to halt the drop of freight rates and to reduce losses, liner companies cut capacity heavily on the arterial East-West routes. As a result, it was estimated that at least 165 container vessels (430,000 TEUs), representing 3.5% of the total fleet capacity, were idle as at the end of 2008. In addition, as newbuild deliveries from the ordering spree over the past three years continued to join the fleet, over-capacity sent the timecharter rates into freefall. Clarkson's Containership Timecharter Rate Index slumped by 58.8% from US$113.24/TEU in January 2008 to US$46.64/TEU in December 2008, a record low since the establishment of the index in 1993.

For ***dry bulk shipping,*** 2008 has been a rollercoaster year. The dramatic changes in the Baltic Dry Index (BDI) need little reiteration, but for the record, the BDI fell 94.3% from an all time high of 11,793 points at 20 May 2008 to an all time low of 663 points on 5 December 2008.

Incidentally, 2008 also started on a negative note with rapidly falling freight rates. BDI at the time dropped 49.1% from 11,033 points on 29 October 2007 to 5,615 points as at 29 January 2008. The reason for this fall in shipping demand was due to operational issues, resulting from temporary shutdowns due to accidents and natural disasters in major exporting ports which all occurred more or less over the same time frame.

The dry bulk sector came to a grinding halt in the fourth quarter of 2008 as demand for ships completely "dried up". Although a significant correction in freight rates was expected over the third quarter of 2008, a multitude of "wild cards" contributed to an already falling market sliding off the cliff. Fleet supply was increasing on two main fronts, the first was unlocking of tonnage because of easing port congestion; the second was an increase in the number of vessels due to newbuildings and conversions. However, it was the meltdown in the global financial markets following the collapse of Lehman Brothers which accelerated the situation that brought this dry bulk super cycle to an abrupt end. The pressure on the already troubled banking sector froze most trade finance activities and lines of credit. This significantly added to the crisis, with dry bulk freight rates falling to nearly "zero".

Container vessel timecharter rates



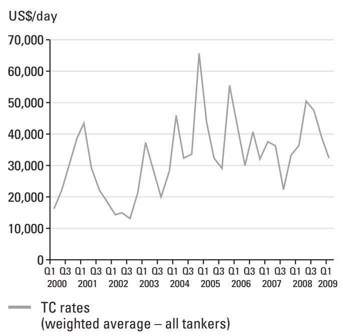
Source: Clarkson Research Services Ltd.

Baltic Exchange Dry Index

Source: Clarkson Research Services Ltd.

Although the year ended on a negative note, the weighted average of earnings for all bulkers in 2008 was US$40,900/day. This is only about 6.2% less than the average earnings in 2007 of US$43,600/day. Despite the gloom, 2008 turned out in fact to be a very good year for dry bulk owners.

Historical timecharter rates for crude oil tankers (weighted average)



Source: Clarkson Research Services Ltd.

Despite all the talk of economic recession, the ***crude tanker*** market in 2008 witnessed its best yearly average performance over the last three years, nearing the values of the recent boom of 2004. The year started with demand for tankers steadily increasing after OPEC decided to increase quotas in November 2007 to meet the anticipated winter demand in the West. However, the seasonal lull usually experienced during the second quarter of 2008 was conspicuously absent and tanker rates climbed steadily to all time highs in July 2008 as oil prices also peaked. The primary reason for this was the unexpected spurt in demand from China which culminated in the pre-Olympic boom, not just for crude oil shipments but also for other commodities. However, this dream rally was cut short by a sudden and sharp drop in Chinese demand in August/September, followed by the outcome of the credit crisis which has now led to world oil demand growth being significantly lower than initially expected.

However, the reason behind healthy freight rates in 2008 was more about supply statistics than about the demand scenario. Demand for crude oil tankers in 2008 declined marginally – by about 0.7% year-on-year – but the available fleet was restrained due to a combination of short-term factors such as delivery delays, floating storage and longer term factors such as conversions to dry bulk and floating production vessels.

The massive price erosion in crude oil prices since July 2008 and restricted access to capital has impacted the ***offshore sector.*** Speculative orders, or developments for marginal fields where breakeven levels are well above the current crude oil prices are worst affected. These include small projects in the North Sea, South East Asia and West Africa. Larger projects, which have been planned by oil majors for the sole purpose of replenishing existing depleting reserves, where investment can be justified over a longer time-frame, are relatively well insulated. These include projects in offshore Brazil, large projects in Nigeria, Angola and the Gulf of Mexico also known collectively as the Golden Triangle. Of course, if oil prices remain low for a much longer period, even these large projects may become affected.

Most ***cruise lines*** began well in 2008, with robust passenger bookings for the first five months; at which time they were ahead of the previous year's booking levels for that time in the year. These earlier bookings salvaged what would have been otherwise a dismal year as booking levels fell dramatically in subsequent months. The industry's systemic risks are seasonality in cash flows, greater susceptibility to external events that impact consumer sentiment, and a general downturn in world economic activity. Not only is the economic environment working against cruise lines, but also the current constraints in the financial system which impacts corporate activity and consumer credit. The sharp loss in personal wealth through equity market losses around the world has taken its toll on all segments of the cruise industry.

2.1.2 Developments in key aviation segments

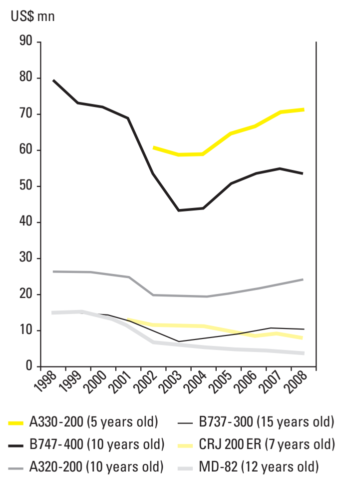
The storm clouds already signaled in the 2007 annual report did not blow over and – as anticipated – resulted in a harsh aviation climate during 2008. During the first half of the year, airlines worldwide were confronted with an accelerating increase in the cost of jet fuel, resulting in a financial weakening of the many carriers that did not have adequate fuel hedging contracts in place. The second half of 2008 witnessed a strong reduction in jet fuel prices as the global economy started to slow down. Many airlines that eventually entered into fuel hedging contracts mid-2008 got into trouble when prices turned against them and they were required to post additional collateral.

For further information about the 2008 developments in the aviation markets and industry please see the Aviation Research Report at http://www.dvbbank.com/en/investor_relations/financial_reports/annual_financial_reports/index.html.

The economic slowdown that caused the drop in fuel prices at the same time resulted in a rapidly accelerating reduction in demand for air travel. IATA's preliminary international traffic statistics for 2008, a modest 1.6% increase in ***passenger traffic*** and a –4% decrease in international cargo volume, are hiding the devastating reality of the final months of 2008; in December IATA reported –4.6% loss of passenger traffic and –22.6% of ***cargo traffic.*** With continuing problems in the banking sector, virtually all major economies in recession, and a wave of unemployment hitting consumer confidence, the outlook for 2009 remains decidedly grim.

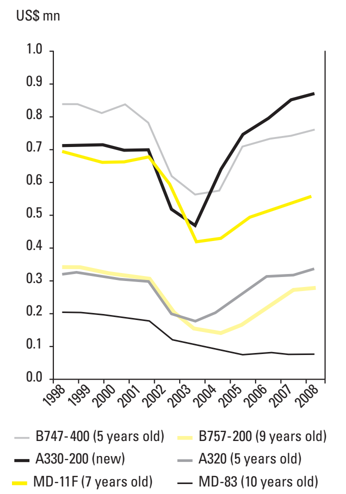
North American airlines had already begun planning for capacity reductions following the fuel spike, and were relatively well prepared for the drop in passenger traffic of around –0.5% (ICAO estimate). European airlines still enjoyed some growth in 2008, with the preliminary ICAO figure of +4.4% for the region. Middle Eastern carriers were still able to catch a bit of sunshine as they saw traffic increase by 7.6%, this in sharp contrast to carriers in the Asia/Pacific region, the traditional growth engine of the industry. Asia/Pacific saw its passenger volume stagnate, with a +0.1% change.

Constant age aircraft value development



Source: Ascend

Constant age lease rate development



Source: Ascend

Compared to the impact of the recession on many other industries, aviation has not done too badly so far, thanks to the relief offered by lower fuel costs in the second half of 2008. For 2008, a net loss of about US$8.5 billion is projected. There is the possibility that a significant number of airlines may be unable to survive. Generally, air cargo is the first market segment to be hit by a crisis, followed by premium (business) passenger traffic, and finally leisure traffic. In addition to the cyclical pressure, there are indicators that a more structural modal shift – from air cargo to surface transportation – started in 2008, especially for the all-important group of hi-tech electronics. Premium passenger traffic was indeed down, especially during the fourth quarter of 2008, but the impact on low-cost carriers had yet to be felt. This may change in 2009.

Despite the slowdown in the air transport market, the ***aircraft equipment*** market did relatively well during 2008. Clearly, the number of new orders dropped significantly compared to 2007, especially during the second half of 2008. The combination of delays in new aircraft development programs, interrupted production due to industrial action, and an accelerated phase-out of older less fuel-efficient aircraft, resulted in a fairly balanced market for modern fuel-efficient aircraft. Predictably, older, less fuel-efficient narrowbody aircraft such as the MD80s and later the Boeing 737 "Classics" suffered significant loss in value, as an increasing number ended up in the desert storage areas. Modern aircraft such as the Airbus A320 family and the Boeing 737 "Next Generation" remained in demand, albeit with lease rates coming down from earlier high levels. In the widebody market, the delay of the Boeing 787 Dreamliner and the Airbus A380 maintained solid demand for the modern Airbus A330 and the Boeing 777. Even older designs were able to maintain their position, serving as "interim lift" awaiting the new generation.

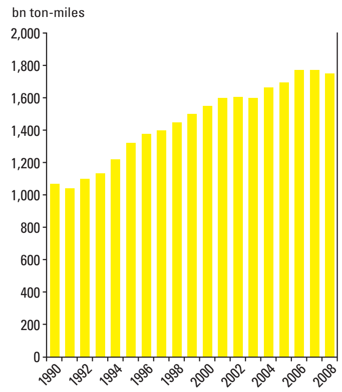
Ironically, for many years, the market for passenger-to-freighter conversion of older aircraft was restricted by the lack of availability of suitable "feedstock" aircraft. Just as availability started to increase, demand for additional freight capacity collapsed, resulting in continued limited conversion volumes.

The fact that during late 2008 and early 2009 a number of aircraft leasing companies came under pressure was more the result of the impact of the financial crisis on their parent companies (AIG, RBS, Babcock & Brown, Allco) and not so much the condition of the aviation market itself. The same financial crisis resulted in the withdrawal from the market of a number of banks engaged in aerospace financing, resulting in a significant improvement of the competitive position for the remaining players, including DVB.

2.1.3 Developments in key land transport segments

In Europe, *rail freight traffic* was down 0.4% ton-kilometres, and even declined 1.5% for the EU and EFTA countries specifically, in the first half of 2008. This can be seen as an indicator of an upcoming shrinkage of the economy later on in 2008, which indeed happened in the last quarter of the year. Transport volumes of containers, new cars, steel and various types of bulk cargo (including chemicals) showed strong declines during the fourth quarter. This triggered a massive increase in demand for sidings (to store unemployed freightcars) towards the end of the year.

US Class I railroads – Freight volume



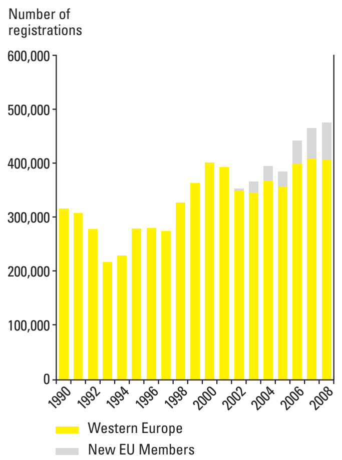
Source: BTS/ARR

The potential for cross-border rail transport improved again, thanks to increasing standardisation and inter-operability of rolling stock, and continuous growth of leasing companies. However, there is still further potential down the road as the admission process of interoperable locomotives and freightcars remains very slow. In the meantime, several European countries entered into multi-lateral agreements to acknowledge each others' admission certificates. Market participants from both the public and private sectors endeavoured to expand and/or stabilise their market position, as indicated by a series of M&A deals. Publicly-owned railway companies already took over one third of all new, private open-access operators, thereby effectively reducing competition. It seems that Deutsche Bahn and France's SNCF are competing to become the biggest rail freight carrier in Europe. On the other hand, many state-owned companies in Central and Eastern Europe are slated for sale soon, offering opportunities for both private and state-owned companies.

Developments were similar for rail freight performance in the US, where the overall trend for 2008 still posted the fourth-largest transport volumes in history, albeit at levels slightly below 2007 (–1.3% ton-kilometres). However, the real downturn occurred during the fourth quarter, with wagon loads down 8.2% and intermodal traffic down 7.7% compared with the fourth quarter of 2007. For December 2008, the Association of American Railroads reported US rail carloads to be down 14.2%, while intermodal originations were down 13.7% from the same period a year ago. All commodities showed a decline, except for domestic coal.

Road haulage was also affected by a general decline in transport demand, reflecting lower production in numerous sectors. This was already visible in lower registrations for new vehicles: European registrations for new heavy goods vehicles (with a maximum weight above 16 tons) were 9% lower than in the previous year. After a slight increase in the first quarter of 2008 (+1.3%), new registrations backtracked in the second quarter (–2.7%), dropped more dramatically in the third (–12.0%) and even more in the fourth (–24.0%). In the US, truck tonnage was up 0.7% in 2008, but in the fourth quarter of 2008 showed an average decrease of 6.0% year-on-year, falling 14.1% in December alone. In December 2008, sales of medium- and heavy-duty trucks fell to 27,034 units, down 10.9% year-on-year from December 2007, which is indicative of the fact that net orders and industry capacity continue to fall with freight volumes.

New truck and bus (commercial vehicles >3.5 t) registrations in Europe



Source: ACEA

DVB estimates that volumes in ***passenger rail transport*** grew again in 2008. As an example, passenger kilometres in German long-distance rail transport were up 4.3% in 2008. During the first half of the year, UIC showed an increase of 2.7% for passenger-kilometres in Europe. In the US, where rail transport traditionally plays only a minor role in passenger transport, Amtrak (the largest operator) posted increases of 9% in the number of passenger miles in fiscal year 2008 (October 2007-September 2008). Both in the US and in Europe rail transport benefited from fuel prices (for personal or alternative transportation methods) remaining at very high levels as 2008 drew to a close.

Despite a 7.5% decrease in December, the segment ***new buses and coaches*** was the only one to expand in 2008 (+12.1%) according to the European Automobile Manufacturers' Association. Growth was posted both in Western Europe (+6.6%) and in the new EU Member States (+58.7%).

Manufacturers of rolling stock had the time of their life in 2008. Many records were broken in Europe and the US. Over the past four years freightcar prices increased sharply, but this trend is now coming under pressure as steel prices are falling, transport volumes decrease and order books require filling. In Europe, there is considerable M&A activity, with some smaller manufacturers being bought by railway companies – to assure deliveries in times of tight supply and soaring prices.

2.2 Transport Finance business

This section illustrates the development of the Transport Finance business divisions Shipping Finance, Aviation Finance, Land Transport Finance and Syndications.

2.2.1 Shipping Finance

2.2.1.1 Shipping Finance – Strategy

2008 has seen a major spike and subsequent rapid decline in asset values and charter rates, particularly in dry bulk and container vessel sectors. Global economic slowdown and the world economy outlook deteriorated even further in the last months of 2008. We are entering uncharted territory in 2009.

Despite the global financial markets crisis and the shipping industry experiencing a shake-up with several companies already going bankrupt, 2008 saw another year of strong results for DVB's Shipping Finance.

Historically DVB's performance in international shipping finance is based on a cautious and conservative approach in asset financing:

- low loan-to-value ratios,
- preferable long-term asset employment and
- acting swiftly in repairing loan covenants breaches like Value Maintenance Clauses.

Capitalising on its longstanding expertise, DVB preserves its strong position as a leading asset lender in shipping while many competitors have withdrawn from the business. The Credit Shipping unit has a number of tools described in the portfolio outlook (cf. pages 141 of this report) that help DVB's sector groups to monitor the portfolio in turbulent times, and also to give early warning signals to a sector about a particular deal.

During 2008 it has been the main strategy of Shipping Finance to adapt to a new sectorisation structure – coming from a regional geographical model – in order to adequately deal with the swift and ever-changing financial and shipping markets, and to meet the specific needs of present and potential customers.

One of the additional factors in moving to a sector-specific approach was to enhance DVB's understanding of its shipping clients and their business. This approach is receiving widespread approval in the current market climate as sector teams work very closely with their clients, together with the research department, in assisting Shipping Finance to steer its portfolio, increase profitability and minimise losses (if any).

Contrary to DVB's competitors who are either freezing or reducing staff numbers, the Bank has increased its shipping frontline commercial staff by 50% during 2008 in order to handle all problem situations and to take advantage of improved conditions.

Shipping Finance – Ten global sectors and sub-sectors

1	**Container Box Group**	6	**Dry Bulk Group** (Barge, Dry Cargo, Combination Carrier, Bulk)
2	**Cruise & Ferry Group** (Ferries, Yachts, Ocean/River Cruise)	7	**Floating Production Group** (FPSO, FSO, FPU)
3	**Crude Oil & LNG Tanker Group** (LNG, Asphalt/Bitumen, Crude)	8	**Offshore Drilling Group** (Jack up, Drill Ship, Semi Sub)
4	**Chemical & LPG Tanker Group** (LPG, Specialist Tankers, Chemical)	9	**Offshore Support Group** (AHTS, PSV, Subsea and Diving Vessels, Heavy Lift Vessels, others)
5	**Container Vessel Group** (Car Carriers, RoRo's, Reefers, Container Vessels)	10	**Product Tanker Group** (Product)

2.2.1.2 Shipping Finance – Products

During 2008, Shipping Finance globally offered the following products under its umbrella: Structured Asset Financing, Advisory Services, Shipping Asset Management and Equity Underwriting.

DVB's shipping clients were also able to capitalise on the Risk Distribution products offered by the independent Syndications unit.

In addition to this range of services DVB offered shipping investment management activities, as in previous years. But in 2008 DVB unified its shipping and intermodal funds in one division – Shipping & Intermodal Investment Management (SIIM). The shipping investment management activities, previously known as NFC Shipping Funds, have been active since 1999 and the intermodal investment management activity was set up by DVB at the end of 2006. It consisted of three funds, which acted as the investment vehicles through which DVB and private investors jointly invested in intermodal equipment (cf. pages 66–67 of this report for details).

2.2.1.2.1 Structured Asset Financing

Under the umbrella of Shipping Finance, the Structured Asset Finance unit (SAF) has a mission to provide DVB's shipping clients with a representative and competitive product range in structured finance products that is marketed on a joint basis with the relationship managers. SAF develops, markets, arranges and executes transactions that offer clients either a tax-based benefit or an off balance-sheet treatment of their assets (or a combination of the two). The transactions are commonly structured as leases on ships or other assets, and achieve significant financing cost reductions. In exchange, they reduce the flexibility for ship owners to trade their assets. As of 1 September 2008 – as a response to current market conditions – this department has been downsized.

2.2.1.2.2 Advisory Services

DVB offers corporate finance, advisory and M&A services to its clients. The Advisory and M&A team comprises highly experienced individuals, based in London and New York, specialising in transport, and drawn from global investment banks. The unit provides strategic and general corporate advice to clients, balance sheet optimising and restructuring advice, equity and debt-raising advice and, last but certainly not least, mergers & acquisition advice. The team may be seen as a bridge between the transport world and the global financial community and, like DVB as a whole, focuses exclusively on the transport sector. Collectively, it possesses a broad and deep knowledge of (and contacts within) the sector. It prides itself on providing the quality of advice and services normally associated with a boutique bank, whilst being able to draw upon the entire resources of DVB for the client's benefit.

2.2.1.2.3 Shipping Asset Management (SAM)

As Wolfgang Driese, CEO of DVB Bank SE, stated: "Crisis breeds opportunity." (CXO, Vol. 3, autumn 2008, page 20 ff et seq.). After a several good years in shipping, a number of "tourist banks" and financial investors appeared, possessing only a very basic understanding about the business of shipping companies. During the present difficult times, when the world economy is contracting and when liquidity is an issue, it is no surprise that some shipping companies are running out of cash. The idea of Shipping Asset Management is to help such investors to cut their losses with minimum effort and time by providing legal support, technical management, insurance, and account and commercial management. SAM is a new group providing services on debt restructuring, debt recovery and other commercial solutions to a wide variety of banks and financial investors.

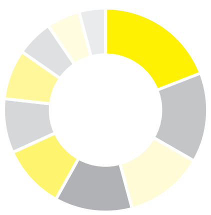
2.2.1.2.4 Equity Underwriting

The Capital Markets unit was established to provide capital raising services to transportation companies, including access to the US and selected global capital markets. The team was launched in April 2006 when DVB Capital Markets LLC was granted its application as a licensed broker-dealer by the Financial Industry Regulatory Authority (FINRA – formerly known as the National Association of Securities Dealers).

DVB believes that development of a capital markets capability enhances the Bank's transport finance franchise by deepening the range of products offered to its client base. Specifically, the Capital Markets team allows relationship managers to offer clients access to US and selected global capital markets, including private placements and public offerings of equity and debt securities. Capital markets professionals work closely with DVB's relationship managers to originate and structure capital markets transactions.

2.2.1.3 Shipping Finance – Portfolio analysis

Shipping Finance portfolio by sector



Dry Bulk Group	19.1%
Container Vessel Group	14.2%
Crude Oil & LNG Tanker Group	12.5%
Offshore Support Group	12.3%
Cruise & Ferry Group	10.1%
Chemical & LPG Tanker Group	8.6%
Product Tanker Group	7.9%
Container Box Group	5.8%
Offshore Drilling Group	5.3%
Floating Production Group	4.2%

2008 was once again an exceptional year in terms of performance for DVB's Shipping Finance, with its results providing yet another record-breaking year.

The volume of customer lending during the year (loans and advances to customers, loan commitments, indemnities and guarantees) improved 25.1% over 2007, rising from €8.38 billion to €10.48 billion. During 2008 there were 122 new transactions, compared to 174 new transactions for 2007, totalling €4.00 billion and €5.08 billion respectively.

Notwithstanding the fact that syndication had almost dried up at the end of 2008, volumes for the first three quarters of 2008 had already showed an increase in total syndication of 118% compared to 2007 (the shipping part was €972 million of closed deals and €337.5 million in documentation).

A steady growth in the portfolio has continued, reflecting DVB's appetite for new transactions. The lending volume figures and new transactions were particularly remarkable given that 2008 was not a year for significant refinancing – mainly due to many banks being impacted by the global credit crunch and withdrawing from the sector. The total prepaids/repaids were 37% of the existing loan portfolio compared to 58% in 2007. DVB forecasts fewer pre- and repayments for 2009, due to unfavourable economic conditions and fewer competitors. Total margins for new business increased drastically compared to last year, as some of the banks either demonstrated lower appetite for new business – or became unable to do business – especially in the final quarter of 2008.

The portfolio is well diversified in terms of vessel types financed. This diversification is in line with the strategy of Shipping Finance:

- A marginal increase in the portfolio was seen in the Dry Bulk Group (DBG). The DBG portfolio was €1,582.7 million at the end of 2007 and ended 2008 at €2,004.8 million (representing 18.9% and 19.1% of the portfolio share in 2007 and 2008 respectively).

- In the tanker sector (including crude oil, product, chemical and gas tankers) the position remained stable at 26.9% in 2008 compared to a total of 26.4% in 2007. However, the Crude Oil and LNG Tanker Group portfolio increased from 9.8% in 2007 to a healthy 12.5% in 2008. In relation to exposure towards single-hull crude oil tankers, DVB continued to take a cautious approach. Shipping Finance monitored this exposure throughout the year. The exposure (most of it single-hull VLCCs) decreased from €25.3 million to €17.1 million in 2008, in line with a complete run-down of exposure to this vessel type to less than scrap value before 2010, which is the phase-out date for such tankers. The loan-to-value ratios for all existing loans on single-hull vessels in the portfolio are well below 60% of today's values.

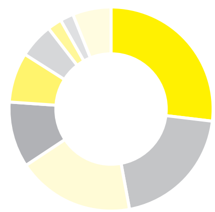
- Due to spotting early signs of oversupply in container vessels, the Container Vessel Group's exposure was decreased from 18.2% in 2007 to 14.2% in 2008.

The loan-to-value ratios for the rest of the portfolio also remain healthy, with 87.4% of the portfolio being under 60% loan-to-value, based on values as of 30 September 2008. The average lending exposure per client rose since 2007 due to increases in asset values primarily in the offshore and dry bulk sectors. Average lending exposure per loan increased to €36.7 million during 2008, compared to €30.7 million in 2007. The number of clients where Shipping Finance has committed to exposures exceeding €50 million also increased from 41 in 2007 to 57 in 2008.

Total number of clients (286) remained relatively stable during 2008.

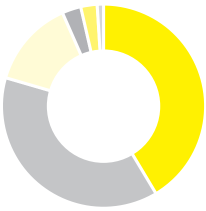
The Credit Shipping unit has maintained its diligent approach, with the Group Risk Management reviewing all loans and paying attention to close monitoring of those loans – taking any remedial action, in particular to "watchlist" loans as well as monitoring the portfolio. The Shipping Research (RASP) division has again contributed by providing detailed and accurate analysis of the market and the various new sector groups. These two elements remain core to Shipping Finance, ensuring that the portfolio is well structured and well diversified.

Shipping Finance portfolio by vessel type



Tankers	26.9%	
thereof:	8.8%	Crude oil tankers
	7.9%	Chemical tankers
	7.8%	Product tankers
	2.4%	Gas tankers
Offshore vessels	20.2%	
Bulk carriers	18.6%	
Container carriers	10.4%	
Cruise	7.9%	
Container boxes	5.5%	
Ferries/ passenger vessels	2.3%	
F(P)SO	2.1%	
Others	6.1%	
thereof:	1.8%	General Cargo
	1.7%	Car carriers
	1.3%	Reefers
	0.5%	Roll-on-/ Roll-off vessels
	0.3%	Combination carriers
	0.5%	Miscellaneous

Shipping Finance portfolio by economic risk per country



Europe	41.9%	
thereof:	9.4%	Norway
	5.6%	Greece
	4.5%	Germany
	3.8%	Cyprus
	3.3%	UK
	2.6%	Netherlands
	2.3%	Switzerland
	10.4%	others
Australia/Asia	38.1%	
thereof:	14.2%	South Korea
	7.1%	China
	5.4%	Singapore
	3.6%	India
	3.3%	Hong Kong
	2.0%	Japan
	2.5%	others
North and South America	13.9%	
thereof:	11.9%	USA
	2.0%	others
Offshore	3.0%	
Middle East	2.6%	
Central America/ Carribean	0.5%	

Towards the end of 2008, the Container Vessel Group, Dry Bulk Group and Cruise & Ferry Group portfolios were under pressure due to deteriorating shipping market conditions, which has led to several covenant breaches and a need for repayment schedules of some loans to be restructured.

Portfolio exposure by economic risk country also remained well diversified. The larger changes have occurred in Asia, where the Shipping Finance portfolio (measured by economic risk per country) has grown – with South Korea now representing 14.2% of the portfolio and China growing to 7.1%, which together account for 42.5% of the emerging markets exposure. This is mainly due to pre-delivery finance. There were also decreases, most notably in Greece and Norway which now only represent 5.6% and 9.4% of the portfolio respectively.

Shipping Finance attributes this record-breaking year to once again monitoring the risks, understanding the assets, introducing Sectorisation to stay closer to DVB's clients, and understanding the mechanics of the diversified markets better. With the new sector groups coming into existence on 1 January 2008, the portfolio maintains its diversification and success.

The most important Shipping Finance deal concluded in the year was a US$183 million senior secured debt facility for the Palmali Group.

Please see the inside of the front cover for further information on the Palmali transaction.

2.2.2 Aviation Finance

2.2.2.1 Aviation Finance – Strategy

DVB has a unique platform of Aviation Finance services and products, and an impressive track record of transactions to go with it. The Aviation platform has been built meticulously, and with considerable innovation, with a view to being a constant provider of Aviation capital and services during different economic cycles. This strategy is truly a reflection of DVB's Aviation Finance mission statement: "To be able, as a hybrid institution, at any period in time and at any point along the industry cycle, to provide our customers with the most efficient blend of capital and services".

DVB is renowned as a leading arranger, underwriter and provider of asset-based capital in aviation finance. Its strategy is to build on such historic strengths, and to provide its customers with a seamless one-stop shop to develop financing solutions for core aviation assets.

Today, no other aviation finance bank can boast its own aircraft asset management team, let alone its own combination of aircraft asset management *and* aero engine asset management teams. This collection of specialists, allied to the asset and market research of Aviation Industry Research, ensures that the Bank remains a consistent and intelligent arranger and provider of debt and equity capital, providing its client base with good advice and tailored solutions, in all types of market conditions.

DVB's Aviation Finance clients can today readily draw upon the following range of expertise, in order to fulfil their differing requirements:

- *Structured Asset Financing,* comprising recourse and non-recourse lending and arranging, plus structured finance activities (including tax and non-tax-based leases);
- *Advisory Services,* including in relation to fund raising/financing strategy, optimal capital structure and sale-and-leaseback transactions;
- *Aviation Asset Management,* providing third-party aircraft remarketing, lease management and technical and general consultancy services;
- *Aero Engine Financing and (Engine) Asset Management,* including the services of TES Aviation Group;
- *Asset & Market Research* as the basis of the one-stop shop concept, with a core focus on the equipment market;
- *Risk Distribution* by DVB Group's Syndications team (cf. pages 60-64 of this report for details);

- *Equity Sourcing and Investments,* via the Investment Management team, managing the Deucalion Aviation Funds (aircraft, aero engines, airline equity, asset-backed bonds, etc.). With a proven track record dating back to 2001, the Deucalion Aviation Funds consist of a series of actively managed closed-end funds which act as the investment vehicles through which DVB and private investors together invest in aviation equity investments (cf. pages 68-69 of this report for details).

A prerequisite for DVB's success is the cooperation amongst a team of professionals with a multi-disciplined background. As well as staff experienced in banking and structured finance, Aviation Finance employs specialists with very specific aviation industry expertise gathered from a prior background with airlines, manufacturers, aircraft/engine lessors, and asset managers.

After integrating its newer activities with relative ease – the Bank strengthened the Aviation Asset Management team in early 2007, and later the same year completed the majority acquisition of TES – Aviation Finance focused in 2008 on a clear communication of its strategy and product/service offering towards its clients and other business partners. The fact that Aviation Finance offers far more than the traditional range of banking services, and that it offers niche services many of which are "close(r) to-the-asset", is perhaps the biggest differentiator between DVB and its competitors. On an ongoing basis DVB's aim is to ensure that this differentiator is fully recognised and valued by our clients and prospects.

Into 2009, and indeed beyond, DVB's vision now is to optimise its resources. It has available capital for new business as well as a platform and group of people to which others aspire. Aviation Finance is already operating at a level where it can be confident of achieving its goal of a cycle-resistant business model: one which will enable the Bank to be equally active, and therefore profitable, in a market downturn as in an upturn. What Aviation Finance now strives for is to further increase efficiency across the board, for the mutual benefit of the Bank and its clients, and of course to stay ahead of its competitors. If Aviation Finance was not already all too aware of the need to be selective – actually, clever – with the utilisation of its resources, the current financial crisis acts as a stark reminder.

2.2.2.2 Aviation Finance – Products

Thus, through its "one-stop shop" business model, DVB's Aviation Finance offers the following value-added products and services:

2.2.2.2.1 Structured Asset Financing

The Structured Asset Financing activity of DVB's Aviation Finance is at the heart of its client offering. With a loan portfolio of €4.90 billion and a new business final-take which has risen to over €2.0 billion per annum (2008: €2.05 billion), DVB is a market leader in commercial and asset-based financing for aircraft and related equipment. The Aviation Finance teams actively seek out new business, both in isolation and in conjunction with the arranging and structured financing activities. Some of the Bank's competitors are more than keen to pursue such "structured" activities (including tax- and non-tax-based leases), but they are unwilling to apply their balance sheets in support of these initiatives. The Japanese Operating Lease (JOL) market is a good example of this: DVB is a recognised JOL (equity) arranger; however, through its subsidiary International Transport Finance Ltd. in Japan, it is also able to offer to provide the debt leverage which may run in parallel.

The relationship managers in the Aviation Finance teams are located in London, New York, Singapore and Tokyo, with the objective of covering all three key economic regions for aviation. The core lending business comprises both recourse and limited-recourse finance. In this latter category, DVB will routinely take residual risk to the sales proceeds of aircraft at lease maturity, an activity which requires the formulation of an own-expert opinion of residual values. Here, the specialist research activities of Aviation Industry Research (AIR) are a necessary and crucial differentiator.

Abbreviations Aviation Finance – Products

M&A	*Mergers & Aquisitions*
OEM	*Original Equipment Manufacturer*

2.2.2.2.2 Advisory Services

DVB acts as an advisor to its aviation clients via a dedicated unit – Aviation Financial Consultancy (AFC). The team includes professionals with extensive banking, leasing and airline backgrounds. This team of specialists gives its clients an unbiased view and opinion, adding value to a client's project or, more generally, to its balance sheet. AFC benefits from being part of the wider Aviation platform, as it can call upon resources from the other teams (Research, Aviation Asset Management, etc.) to fit the requirements of a particular advisory assignment.

AFC specialises in providing advice to airlines, lessors and investors, and its range of advisory services includes financing advice (Commercial, Export Credit, Pre-delivery Payment), lease-versus-buy analysis, aircraft procurement advice, advice in relation to (and the execution of) sale-and-leaseback transactions, as well as business plan and development strategy reviews.

AFC also works closely with DVB's M&A Advisory professionals, to respond to global strategic concerns of airlines and other aircraft owners.

2.2.2.2.3 Aviation Asset Management (AAM)

The Aviation Asset Management team provides the full range of Aircraft Management Services – this being third-party aircraft remarketing, lease management, and technical and general consultancy services – to airlines, lessors, investors, bondholders and financial institutions active in the sector, backed by its extensive market knowledge and established industry relationships.

Services are provided either as a fully packaged solution or on a standalone basis to best suit the needs of its customers. It is a team with over 100 years combined experience in the tough commercial aircraft environment, having previously worked for OEM airframe and engine lessors through which it gained valuable experience in dealing directly with airline operators. The team is currently providing sought-after advice to a range of clients, with over 33 aircraft currently under management on behalf of third parties, as well as actively marketing a further 29 aircraft.

In addition to the proven asset management experience that has come from working with a range of clients around the world and the understanding it has of the needs of its clients, AAM can access the wider skills and services that form DVB's Aviation Finance, including a globally recognised industry research team. Clients can be assured that DVB's focus on transport finance means a long-term commitment to providing the full range of services to the aviation industry.

As an integral part of the Aviation platform, AAM also adds value to the Bank's broader customer requirements. It will often play an active role in the evaluation of asset exposures being contemplated by the financing teams, and on other occasions will form part of a transaction team to perform an advisory project.

2.2.2.2.4 Aero Engine Financing and (Engine) Asset Management

TES Aviation Group (TES), an independent majority-owned subsidiary of DVB, acquired in July 2007, is the newest member of DVB's Aviation Finance family and range of services. Cardiff (Wales)-based TES is a leading aero engine asset management company with an owned and managed engine portfolio valued in excess of US$1 billion.

TES is an active purchaser of aircraft and aero engines to service its growing engine part-out, parts sales and aero engine leasing businesses. As an aircraft matures, the percentage of the aircraft value that resides in the engines gradually increases to the point where ultimately part-out of the aircraft becomes commercially viable. TES actively identifies such opportunities which (supplemented by aircraft or engine lease revenue streams) present an opportunity for an aircraft or engine to ultimately be dismantled for its constituent parts. Selective refurbishment of components and piece-parts by a worldwide vendor network, and re-sale of these quality overhauled parts allows TES to both make a good return on the original asset acquisition price, and at the same time to significantly reduce engine maintenance costs by the fitment of overhauled parts as opposed to new parts.

TES has an unrivalled technical expertise gained from both the management of a US$1 billion portfolio of aero engines across all mid- to large-thrust engine types, and the annual management of an engine maintenance spend in excess of US$200 million. By combining TES's lease engine services, together with their overhauled piece part supply services and technical expertise, the company is able to provide a full suite of engineering, risk management solutions and consultancy services to owners and operators of aircraft engines.

Aviation Finance also actively engages in the financing of spare engines, either for airlines directly or via operating lease structures. This activity is run by the Structured Asset Financing teams, alongside the aircraft financing business: but by being able to call upon the specialist advice of TES, Aviation Finance can be sure of a high quality of transaction asset analysis.

2.2.2.2.5 Asset & Market Research

The Aviation Industry Research (AIR) team, established in 2003, performs high quality, independent research to support the strategy and activities of Aviation Finance. AIR comprises London- and Rotterdam-based units, and has a direct reporting line to DVB's Chief Executive Officer.

AIR's main focus is on the aviation equipment market and on aircraft technology, to the extent that these influence aircraft values and liquidity. AIR provides Aviation Finance with asset valuations and value projections. Responsibilities range from preparing asset evaluation reports for internal purposes to assisting the commercial units – such as AFC and AAM – with information and analyses about aircraft, aero engines and the aerospace market in general.

In addition AIR prepares market reports, mainly concerning the aviation equipment market, and frequently presents its findings during aviation conferences and in trade press articles. Together with Group Risk Management and Credit Aviation, AIR is responsible for developing DVB's asset-related strategy as well as its internal policies with respect to asset-related lending criteria.

2.2.2.3 Aviation Finance – Portfolio analysis

Abbreviations Aviation Finance – Portfolio analysis

bp	*basis points*

DVB is one of the few financial institutions which has remained active in Structured Asset Financing throughout 2008 and into 2009, and is thereby proving once again a reliable partner to its clients in difficult times.

2.2.2.3.1 A platform approach

Aviation Finance at large has a strong network of relationships with clients and industry partners, who perceive DVB as a bank that understands their business and which possesses the expertise to provide value-added financial solutions. Such relationships are maintained by remaining in close and constant touch with its clients. Aviation Finance ensures such client coverage via its network of offices and relationship managers in London, New York, Singapore and Tokyo.

The Aviation Finance marketing team in London is responsible for relationship management and business origination with aviation clients in Europe/the Middle East/Africa, while the New York office plays a key role in marketing and transaction negotiations in North and South America. DVB Group Merchant Bank (Asia) Ltd., based in Singapore, is responsible for relationships and business with clients in Asia/Australia/Oceania, working in cooperation with the Tokyo office of DVB's subsidiary International Transport Finance Ltd., which facilitates activities in the important Japanese aviation market.

The client activities of this relationship management network are supported by London-based Aviation Financial Consultancy and Aviation Asset Management teams. The platform is further complemented by TES Aviation Group, a leading engine asset management company, based in Cardiff, UK, in which DVB has a majority shareholding.

Aviation Finance's scope of products and services is positioned to offer a "cradle to grave" solution for aircraft and related equipment, ranging at one end of the life spectrum from providing Pre-delivery Finance for aircraft still to be delivered, to a tear-down solution for complete aircraft and spare engines, at the other end. Within this spectrum DVB provides a range of structured asset finance, advisory and asset management services following the life-cycle of relevant equipment.

2.2.2.3.2 Success in an adverse market

Whilst 2007 was a year when competition in the sector intensified, this trend reversed in 2008, indeed sharply in the second-half, as the financial crisis and recessionary environment took its toll. A year which started well, as DVB efficiently converted interesting "pipeline" into concluded transactions, gathered an even higher momentum following the collapse of Lehman Brothers, as it found itself among a small group of banks which remained active in the last months of the year. These circumstances contributed to Aviation Finance achieving a record year, both in terms of new production and net operating profit.

Some of the transaction highlights of 2008 are included in the sections below. The most important Aviation Finance deal concluded in the year was a US$786.1 million aircraft lease portfolio term loan for Aircastle Limited, closed in May 2008.

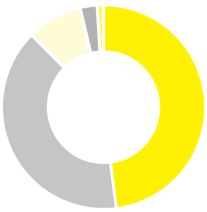
Please see the inside of the front cover for further information on the Aircastle transaction.

2.2.2.3.3 Structured Asset Financing – Loan portfolio

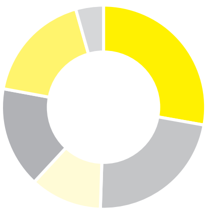
During 2008 Aviation Finance realised 48 new transactions with aviation clients, representing a record new final-take volume of €2.05 billion (2007: €1.44 billion).

New business was concluded with established customers such as Jet Airways (India), (leasing company) AWAS, Alaska Airlines, Jazeera Airways and Korean Air. In addition, DVB attracted 16 new clients including China Airlines (Taiwan), Qatar Airways, Flybe and the US-based leasing companies Aircastle and Jetscape. The average margin on new final-take loan commitments during 2008 was 214 bp per annum. This level significantly exceeded the 2007 level of 159 bp per annum, and even taking the exceptional circumstances of the second-half into consideration (driven by the banking crisis), was a very satisfying result. DVB acted as arranger and/or agent bank (leading role) in respect of 79.3% of its newly acquired business. New financings in 2008 were well diversified by client and obligor (including by geographical region), as well as by aircraft classes and aircraft type collateral.

Aviation Finance portfolio by aircraft manufacturer



Aviation Finance portfolio by vintage



Some of the 2008 transaction highlights were:

- Arranger of a limited-recourse financing for AWAS to enable their purchase of a portfolio of three A319, one A320-200 and two A330-200 aircraft leased to various operators;
- Lease Arranger and Senior Debt Underwriter for the sale-leaseback of a new B777-300ER delivered to EVA Air in May 2008;
- Arranger of a senior debt facility to leverage the purchase by a German KG investor of three new E195s, delivered on operating lease to Flybe;
- Arranger of a recourse financing for Jet Airways, to part-finance the deliveries in 2008 of one new B777-300ER and one new A330-200. The success of this financing – including the fact that it was concluded in the midst of a difficult banking environment coupled with a deterioration of market conditions in the Indian aviation industry – was recognised, since it was awarded "Aircraft Debt Deal of the Year – Asia" by Jane's Transport Finance.
- New bilateral or syndicated aircraft secured lending transactions concluded in the challenging US market for Delta, United, Alaska, JetBlue and Atlas Air.

At the end of 2008 the Aviation Finance portfolio stood at €4.90 billion (2007: €3.62 billion). In US dollar terms – the Aviation Finance portfolio was 98.4% US dollar-denominated – the portfolio grew by 28.2%, an increase from US$5.32 billion to US$6.82 billion.

The collateralised portfolio represented 99.8% of the total volume. The collateral was predominantly Airbus (48.4%) and Boeing (39.7%) commercial jet aircraft, of which 50.5% were under five years old.

The portfolio is well diversified by client. A total of 130 aviation clients equates to an average lending exposure of €38.0 million per client. The largest individual client exposure of Aviation Finance currently stands at €184.3 million, and there are 37 clients where its committed exposure is in excess of €50 million.

The portfolio breakdown by aircraft class saw the share of widebody aircraft financed increase to 33.9% (from 29.0%), while the share of freighter aircraft decreased to 5.1% (from 8.8%). Narrowbody aircraft remains the dominant class at 49.1% (2007: 51.2%).

Risk is also geographically well diversified, being presently oriented towards Europe/ Middle East/Africa (44.6%) and North/South America (38.2%), with client exposure in Asia/Australia/Oceania at a modest 17.2%, though expected to grow in 2009.

The Aero Engine Financing business, a fully integrated unit comprising one professional who is fully supported, remains an important focus; although the engine finance portfolio in itself, standing at €90.8 million, is modest in the context of the overall Structured Asset Financing activity. Notable spare engine transactions were concluded with Cebu (CFM56 financing) and Niki (CFM56 remarketing).

In general, Aviation Finance expects both the volume and range of its engine financing activity to grow over the next years, as it experiences the fruits of being closely aligned, via its majority ownership, with TES Aviation Group.

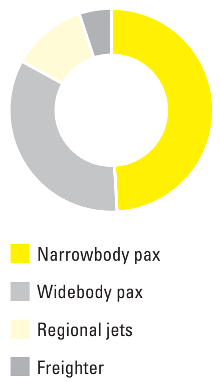
2.2.2.3.4 Structured Asset Financing – Problem loans

During the year under review a small number of problem loans has been restructured, reorganised, and/or a successful exit has been achieved, in some cases involving the leasing (to another airline operator), or an outright sale, of a mortgaged aircraft. Such achievements are largely attributable to the expertise of the Aviation Special Projects team, which devotes attention to the close monitoring and remedial actions required – especially in relation to "watchlist" loans. Aviation Finance will continue to take whatever steps are necessary to safeguard its position as secured lender, whereby it benefits from a first-priority mortgage over relevant aircraft to secure its loan commitment.

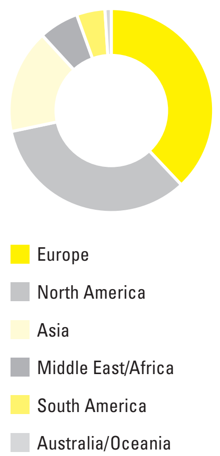
2.2.2.3.5 Advisory Services and Aviation Asset Management

In 2008, the success of Aviation Finance owes much to strong contributions from the pure "services" activities. The Aviation Asset Management (AAM), Aviation Financial Consultancy (AFC) and DVB's Tokyo-based Structured Asset Financing team have enhanced the reputation of DVB's aviation business right from the start as "the leading aviation merchant bank". The year in question was not different, as these teams were engaged in diverse mandates – some low profile, some higher profile – each leading to healthy "non-risk" fee earnings. Highlights were:

Aviation Finance portfolio by aircraft classes



Aviation Finance portfolio by client exposure per region



- The Structured Asset Financing team acted as Equity Arranger for the Japanese Operating Lease financing of six new B737-800's delivered to Ryanair.

- AFC acted as Financial Adviser to Boodai Group in connection with the successful establishment of new aircraft leasing, Sahaab Aircraft Leasing, in Kuwait.

- AFC arranged the sale of five new B777F's to a German "KG" investor group.

- AAM successfully recovered and remarketed three ex-Oasis Hong Kong Airlines B747-400s (following the failure of this airline) on behalf of a European bank consortium. The recovery and sale of the aircraft (as a package) took just eleven weeks from appointment to completion.

- AAM successfully sold or leased a total of 26 aircraft on behalf of third parties in the last twelve months.

The AAM team has ended the year with six professionals, AFC has three, and the Structured Asset Financing team in Tokyo has two experienced structured finance experts. This commitment by DVB to developing its service capability and dedicated resources is expected to yield further reward in the coming period, as a key component to DVB's "cycle-neutral" business approach.

2.2.2.3.6 Aero Engine Financing and (Engine) Asset Management

In 2008 TES was able to secure Boeing 757 and RB211-535E4 engines as well as PW4000 (94") to enter lease/part-out programs, and has secured major supply agreements with a number of key MRO's (Maintenance Repair and Overhaul agencies). TES remains the largest independent entity of any MRO or OEM (Original Equipment Manufacturer) aircraft engine risk management organisation, managing in excess of 400 engines across all major mid- to large-thrust product types, with an expanding client base of airlines, aircraft lessors and asset financiers. 2008 saw the acquisition by TES of its new corporate headquarters in Wales, setting the foundations for business growth over the coming years.

2.2.3 Land Transport Finance

2.2.3.1 Land Transport Finance – Strategy

In the midst of the current economic and financial markets crisis, the rail sector is demonstrating its resilience just as road transport is proving its flexibility.

DVB continues to focus on these markets, in both Europe and North America. In the Bank's view, the necessary conditions for expanding business operations are already fulfilled, namely political stability, a uniform legal system, and a reliably defined regulatory environment. DVB is aiming to take advantage of the highly cyclical nature of the North American market to further expand its Land Transport Finance activities. Stronger momentum there is also reflected in free and mature markets, as well as in heightened earnings potential. Europe continues to be an attractive market due to its steady development, low default risks, as well as providing a key earnings base in euros, the Bank's base currency.

DVB continues to anticipate medium to long-term growth in the land transport markets of these regions. As a financing specialist, DVB is presented with opportunities even in difficult situations and the Bank seizes upon these opportunities to proactively originate financing, structure leases, and to close deals for structured transactions. DVB is, as always, prepared to offer financing with limited recourse to the borrower.

As a financier of long-lived transport assets, the Bank's considerations focus on the asset's capacity to retain its value. When evaluating the risks associated with an underlying asset, DVB calls upon its internal research expertise in order to make the most accurate assessment possible as to how the transport asset being financed will perform throughout different cycles. Particularly in a difficult global economic environment, Land Transport Finance's approach is to maintain an adequate cushion between the value of the asset being financed and the debt volume. Balancing risks in this way has proved to be an optimal strategy.

Flexibility is a dictum for DVB, one that will shape its approach to future challenges as well. The tasks that are of central strategic importance can be described as follows:

- DVB will continue to be involved in both freight and passenger transport.
- Land Transport Finance will continuously develop its business model on the basis of standard vehicle classes.
- In contrast to other banks, DVB does not envisage any strategic expansion of its business model in the direction of developing its own fleet leasing business (becoming an operating lessor).
- The Bank is keen on investing in equity positions for rail investments, a business that is taken up by Stephenson Capital, the equity capital fund advised by DVB.
- For asset financing, especially in road transport, DVB continues to target large, well-diversified fleet operators who have a clear market vision and offer a range of services above and beyond a pure leasing business.

- Broader diversification of the Land Transport Finance portfolio is being aimed for
  - by winning new clients;
  - by deepening market penetration in Europe and North America;
  - by selecting appropriate assets to finance; and
  - by offering various risk levels in the transactions (senior, junior, mezzanine and equity financing).
- Particularly in the current difficult market environment, transport market participants are looking for customised, value-added financing solutions. Partnership and a customer-oriented approach are the key ingredients in structuring tailor-made solutions. DVB anticipates that its close client relationships will prove to be an important success factor for the future.

2.2.3.2 Land Transport Finance – Products

Land Transport Finance once again offered its customers a wide range of products and services in 2008. In addition to its traditional lending business, DVB's Advisory Services and Asset & Market Research met a much wider interest amongst clients.

The product range has been extended with the Stephenson Capital Fund, an equity investment fund established in 2007 and focusing on rail assets. With a promising pipeline of transactions, the foundations for future business have been laid (cf. page 71 of this report).

Land Transport Finance also worked successfully with the DVB Syndications team on the outplacement of risk (cf. pages 60–64 of this report for details).

2.2.3.2.1 Structured Asset Financing

Traditionally, the classic, secured asset-based lending business has made a significant contribution to the success of overall business operations. The Bank's ability to keep the loan books open despite the liquidity crunch was particularly valued (and relied upon) by clients, especially in the second half of the year. DVB was able to assume a pioneering role in particular where its special market experience, asset financing expertise, as well as its readiness to selectively take asset exposure onto its balance sheet were in demand.

In most deals, senior secured loans were added to the portfolio after the optimal structure for the respective transaction had been defined on the basis of DVB's profound analyses. This was accomplished not only in the form of originated loans with full recourse to a client's balance sheet, but also in limited recourse transactions, where the Bank relied primarily upon the underlying asset's capacity to retain its value and generate cash-flow.

The Bank successfully participated in syndicated deals for larger loans that required close coordination amongst the various lenders. On several occasions, DVB acted as Administrative Agent. In various financing transactions, the Bank was also involved as a participant due to the attractive return potential of a deal, or when it decided not to take another role for strategic reasons.

In some cases, junior loan tranches were also taken onto the Bank's books. This was in keeping with the strategy of assuming the optimal risk position in terms of risk/reward ratio. The Division once again profited from the excellent collaboration with Land Transport Research, whose analyses supplied essential information in the decision-making process and were instrumental in gaining the necessary approvals from executive bodies.

2.2.3.2.2 Advisory Services

The Advisory Services of Land Transport Finance were in great demand from clients. The successful closing of one particular M&A mandate is an outstanding example. The Division assisted a client from the US in successfully closing its acquisition of a European railway company. DVB made this possible with its profound market analysis, its detailed advice on selecting and evaluating the acquisition target, as well as by offering the acquiring company support throughout the acquisition process. This success was the product of close coordination between the Land Transport Finance teams in Frankfurt and New York, as well as the smooth collaboration between the DVB Capital Markets team in New York and the London Advisory and M&A team.

2.2.3.2.3 Asset & Market Research

Once again, the groundwork by Land Transport Research was a key success factor. Asset & Market Research reports were instrumental in supporting and advancing the Division's financing and advisory activities. During the year under review, as every year, the internal research expert supported and analysed every major transaction. DVB's internal database of equipment data and fleet statistics went above and beyond widely available information sources to provide for a more precise analysis and improved market assessment.

Land Transport Finance was able to further improve its strategic market analysis services. This allowed the aforementioned M&A mandate to be fundamentally supported and expedited by research expertise. Clients increasingly called upon strategic market analyses to underpin their own market assessments. Demand also increased amongst clients for advisory services in areas such as operative re-focusing, and extending or expanding regional reach.

The Bank's research expertise was also much more visibly represented at conferences and in articles of relevant trade journals.

DVB intends to fully utilise its analysis and forecasting capacity to reap benefits for its own business and in competing for client business in the future.

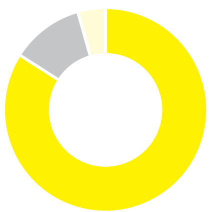
2.2.3.3 Land Transport Finance – Portfolio analysis

The momentum of the rail and road transport markets, coupled with DVB's capacity to provide its clients with financing and advisory services during a period of an escalating global financial crisis, once again produced rewards in 2008. Due to the record volume of new business, the ***overall portfolio*** of loans and advances to customers increased by €370.6 million (32.4%) from €1,142.4 million to €1,513.0 million in 2008. In a five-year comparison, the portfolio has nearly doubled since the end of 2003 (€799.8 million). The increase is not simply an expression of the market's growth, but also reflects the considerable extent to which DVB has increased its market penetration over the last few years and the way in which other banks have accepted the more prominent role the Bank has been playing. Above all, the increase reflects DVB's recognition amongst clients.

In 2008, ***new business*** totalled €577.5 million; excluding syndicated positions from the total volume, €550.6 million was booked in the portfolio. The third and fourth quarters in particular saw increased demand for loans by clients. This gave DVB the opportunity to offer appropriate financing solutions while other banks withdrew from their own land transport finance activities. Over the course of the year, DVB's Land Transport Finance division won five new clients. The average exposure per client increased from €15.9 million to €22.3 million in the year under review. All client exposures were below the €100 million threshold, another indication of the Land Transport Finance portfolio's high degree of diversification. Exposure amounts were in excess of €50 million for only ten clients.

Rail assets: Once again, the share of freightcars increased considerably in the portfolio, namely by 3.3 pp to 57.0%, and was comprised of standard freightcars (bulk freightcars/hoppers, covered cars, flat cars/container cars and other sub-segments) and tank cars. This broad range of freightcar types means that the share of freightcars is adequately diversified, particularly in light of the fact that commitments were made to a variety of clients with diverse areas of specialisation, as well as being regionally diversified across Europe and North America. The second-largest item within the portfolio was secured by locomotives (both electric and diesel-powered) accounting for 15.9% of the portfolio, an increase of 2.0 pp of the total volume. The share of passenger train sets was 10.1% (–1.0 pp), an asset class that is exclusively financed in Europe. Financing of all remaining rolling stock comprised 1.2% of the portfolio. ***Road assets:*** Several significant transactions in the road transport segment caused the portfolio share of trucks, semitrailers and chassis to increase slightly to 11.6% (2007: 10.4%). All of DVB's road transport clients are large and leading market players in Europe or the USA, and have a well-balanced lessee portfolio. This positive development was in line with the Bank's strategic goals, and DVB is convinced that a share of road transport transactions reaching up to 20% of the total portfolio positively contributes to risk diversification. The share of loans financing logistics property ***that are no longer conform with the Bank's strategy*** decreased to 4.2% (2007: 9.2%). Unsecured loans and advances backed by other forms of collateral fell to a marginal share of 3.0%.

Land Transport Finance portfolio by asset type



On rail	84.2%	
thereof:	57.0%	Freightcars
	15.9%	Locomotives
	10.1%	Regional train sets
	0.8%	City/commuter traffic
	0.4%	Passenger coaches
On road	11.6%	
thereof:	10.3%	Road trucks/trailers
	1.3%	Tank containers
No longer conform with the Bank's strategy:	3.6%	Terminals/logistics property
	0.6%	Immovable assets

The considerably greater dynamics in equipment procurement in North America, as compared to the more steadily growing and developing European market, has led to a regional shift in the portfolio's makeup. The share of European business reduced to 61.5% of the total portfolio (compared to 75.9% in 2007), while the share of North American loan book increased considerably in 2008, from 19.9% to 36.1%.

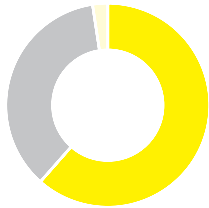
In Europe as well as in North America, many lessor companies stepped up their active vehicle fleet management by purchasing and selling portions of their fleets. The economic landscape yielded a number of deals owing to market consolidation, as well as sale-and-leaseback transactions. These deals often called for an asset financing specialist like DVB.

Amongst the ***successful projects in North America*** were seven transactions to finance freightcar fleets. As the financial markets crisis spiralled towards the end of 2008, DVB's business was able to profit by being able to keep loan books open and offer its clients attractive financing deals. For example, by providing two credit facilities the Bank made the purchase of new wagons possible for a leading agribusiness company. In a bilateral transaction, the Bank granted one of the ten largest wagon lessors sufficient credit to refinance a diversified portion of its fleet in December 2008. DVB was a leading partner within a club of three banks that arranged financing for another leading lessor company. In addition, DVB assumed a leading role in financing a freightcar fleet for a newcomer to the wagon leasing business by acting as a Co-Arranger. The annual prize awarded by Jane's Transport Finance for the *"US Rail Deal of the Year 2008"* went to a non-recourse financing transaction in which DVB also acted as the Administrative Agent. The Bank structured a complex transaction for an American railway company that was seeking an efficient financing solution for locomotives in Mexico. This deal, in which DVB was the sole lender, was concluded in September. In addition, the Bank was successfully involved in two deals for road vehicles as a dependable partner and lender. In one of these deals, DVB acted as the Mandated Lead Arranger and Underwriter, and successfully syndicated parts of the loan in a difficult market environment.

In the *European rolling stock market,* the Bank was able to advance loans to both existing and new clients. While at the beginning of 2008 the financing environment was characterised by considerably greater continuity than in North America, interest margins increased significantly for DVB toward the middle of the year, due in part to reluctance amongst other banks to provide debt. In several deals, the Bank took a position either as a bilateral lender or as a club partner within a lending syndicate to finance freightcar portfolios. This provided four clients with financing for car carriers, used standard freightcars in Eastern Europe, flat cars, as well as container cars and standard freightcars. Due to persistent input with structural considerations, early stage co-operation with the relevant sponsors, and its many years of market expertise, the Bank was invited to act as Co-Arranger in an acquisition financing package for the largest rolling stock lessor on the European continent.

For the second time in a row, DVB received the *"Rail Finance House of the Year"* award from Jane's Transport Finance in 2008 for its success in financing, structuring and underwriting syndicated loans, its grasp of the markets, as well as for the acquisition advisory service it provided to clients.

Land Transport Finance portfolio by client exposure per region



Europe	61.5%
North America	36.1%
South America	2.4%

Further information on the Kansas City Southern de México transaction is available on the inner front cover.

2.2.4 Syndications

2.2.4.1 Syndications – Market review

Abbreviations Syndications – Market review	
LIBOR	*London Interbank Offered Rate*
MAC	*Material Adverse Clause*

Global syndicated volume fell by 40.6% to US$2.90 trillion in 2008 compared to US$4.88 trillion in 2007.

During the fourth quarter of 2008 the syndicated volume reached just US$423.1 billion, which was the lowest quarterly volume since the first quarter of 2003 and a drop of 44% from the third quarter of 2008 – and a 59% drop when compared to the fourth quarter of 2007.

By region, the largest decrease was in the US where loan volume fell by 52.8%, from US$2.18 trillion in 2007 to US$1.03 trillion in 2008. European borrowing also fell by 44.2% in 2008 to US$964.8 billion compared to US$1.73 trillion in 2007. South East Asia, Japan and Australasia were the only regions to see a rise in volume compared to 2007.

October and December 2008 saw the volume of loans maturing exceed the volume of new loans issued: this is the first time since September 2002 that net issuance has been negative.

Following the liquidity squeeze experienced in the second half of 2007, the credit crisis continued to escalate in 2008. Initially, lending picked up during the first half of 2008 as banks were lending against new budgets; however, the financial crisis pushed banks' funding costs above the US dollar LIBOR.

The main issue banks were facing in 2008 was limited access to liquidity, resulting in a capital restraint and rising costs of funding. New liquidity became so expensive that the internal threshold rates for many banks increased and – in an attempt to pass these costs onto the client – prices were driven up too. In addition to price increases, covenants were tightened, maximum loan-to-value ratios were lowered substantially, and "market flex" and MAC clauses were requirements in all documentation.

Following the collapse of Lehman Brothers, and in an attempt to restore confidence and clear the credit markets, government and central banks provided the financial system with hundreds of billions of dollars in both liquidity and guarantees. As a result, the loan market was essentially "on hold" from September 2008. Whilst many banks chose to focus on existing client relationships, many simply stopped lending for the remainder of 2008. A handful of banks pulled out of transport finance completely.

As the number of active players in the market declined, so did the competition for new deals. However, due to limited internal processing ability participants then became even more selective – hence the trend to focus on club deals or bilateral transactions.

Transport Finance (Aviation Finance and Shipping Finance) volume decreased by 2.2% to US$82.8 billion in 2008, compared to volumes of US$84.7 billion in 2007.

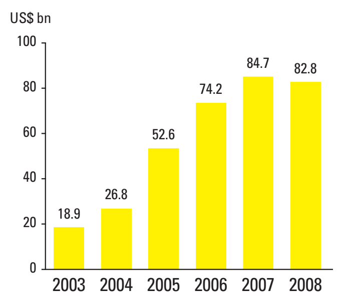
The ***shipping market*** experienced a mixed year. While shipping appeared somewhat isolated from the financial crisis and experienced a relatively stable first half of 2008, by the second half of the year the crisis had spread globally, reaching all markets and causing the resulting decrease in both freight rates and vessel prices. This is evidenced by syndicated volumes in shipping finance for the fourth quarter of 2008 providing only 12% of the full-year volume. Several banks within the shipping industry reduced their lending activities in the second half of the year, and many stopped lending altogether as the liquidity constraints and increased cost of funds resulted in banks being less keen on lending and participating in transactions.

Following a very strong and competitive second half of the year in 2007, the ***aviation finance market*** continued this momentum during the first half of 2008. Banks were still selective, preferring better assets and strong credits outside North America and Europe. India and other Asian regions are becoming more competitive and challenging in terms of increasing numbers of airlines headquartered and operating in these areas. Post-September 2008 and after the collapse in the financial markets, the number of banks in the market – and the number of deals funded – declined significantly.

In the ***rail industry,*** transaction volumes decreased substantially from US$25.96 billion in 2007 to US$15.65 billion in 2008 – a 39.7% decline. The majority of new transactions in 2008 originated in Europe (with 47.3% of the market share) and Japan (with 34.5% of the market share), which actually experienced an increase in rail volumes from US$3.38 billion in 2007 to US$5.40 billion in 2008.

In terms of pricing, during the last year banks experienced continually increased margins in all transport sectors, in line with the tightening banking conditions and the increases in banks' funding costs. Moreover, a general trend towards more conservative structures with shorter tenors, lower leverage and more strict covenants has been observed.

Development of transport finance volumes



Source: Dealogic

2.2.4.2 Syndications – Strategy

DVB's Syndications team supports the core business activities in Shipping, Aviation and Land Transport Finance – and their customers' needs – by ensuring sufficient third-party bank debt liquidity is identified to adequately transfer risk from DVB's lending book.

This risk transfer enables DVB to diversify the credit risk it keeps on its lending book and to subsequently avoid concentration risk. In addition, the ability to syndicate part of its commitments results in capacity being freed up for certain customers for future transactions.

The ability to arrange and syndicate means that customers have the comfort of certainty of funds for their projects. Therefore, a good track record in successful syndications (on an underwritten basis as well as on a bookbuilding basis) increases the likelihood that DVB will be mandated by customers for larger financing projects.

As lead arranger and bookrunner, competent execution of DVB's tasks is critical to success. Participant institutions may be less familiar with the customer or project involved, so strong reliance is placed on the skills, experience, capability and information provided by the Syndications team. A careful and clear presentation of a particular project by its team, in the form of an information memorandum, is essential – and reduces the difficulties that may arise in the syndication process.

The key drivers of Syndications' success that are used to formulate its strategy are the following:

- Maintaining and expanding existing banking relationships;
- Based on these banking relationships, developing a good understanding of each institution's requirements, as a correct choice of the participant banks with respect to the proposed project, is important;
- Developing and maintaining a good level of industry knowledge within DVB;
- Close cooperation with DVB's global Transport Finance network, research and advisory teams;
- Effective management and monitoring of the syndication process;
- Personalised, tailor-made approach towards the participant partners;
- Competitive pricing structures based on up-to-date information, access to global networks and ad-hoc analysis;
- An understanding of the wider economic conditions and the flow of effect on to transportation financing, and
- Adapting to changing market conditions

2.2.4.3 Syndications – Products

The key product of the Syndications team is Risk Distribution, which is the ability to syndicate debt to other lenders. This can be done on an underwritten basis, or on a book building basis.

- A syndication on an underwritten basis means that the customer has certainty of funds, and that the liquidity and placement risk (the risk as to whether or not sufficient bank debt liquidity can be identified for a certain transaction) is taken over by DVB.

- A syndication on a book building basis means that DVB does not take over the liquidity and placement risk from the customer.

There is no difference in the actual execution of the syndication exercise, whether this is done on an underwritten or a book building basis. In both scenarios, the Syndications team uses the same information memorandum template and invitation letters – and also in both scenarios, the expertise present in the various DVB divisions (including but not limited to credit and research functions) is being utilised to maximise the liquidity raised in the market.

The vast majority of the transactions being syndicated by Syndications are new ("primary") transactions, rather than transactions closed in an earlier stage (often referred to as "secondary"). DVB's Syndications team is not an active participant in the secondary debt trading market.

Syndications' partners in a transaction without option elements are normally banks. Institutional investors are normally approached by way of a securitisation transaction, whilst banks and financial institutions are approached in a syndication transaction.

Syndications is specialised in syndicating predominantly senior debt, but also junior tranches. Equity and high-yield mezzanine are being looked at by DVB's Investment Management, which might offer participation in equity or mezzanine to the market rather than the Syndications team.

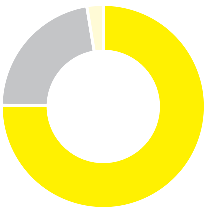
Syndications is actively involved in finding club deal partners, in case a transaction is being done on a club basis.

2.2.4.4 Syndications – Portfolio analysis

In 2008 the Syndications team raised a total volume of US$2.25 billion committed by other banks, for 28 transactions emanating from DVB's Shipping Finance, Aviation Finance and Land Transport Finance sectors. The above figures represent a 64.2% increase when compared to the US$1.37 billion for 28 transactions during 2007. This increase can be attributed to an increase in syndicated volumes for Aviation Finance and also two large transactions for Shipping Finance. In addition, US$1.19 billion (i.e. 53.0%) of the total volume of transactions were closed in the first half of 2008.

Shipping Finance transactions account for 75.2% of the total volume, with US$1.69 billion raised via 19 transactions in 2008. Aviation Finance accounts for 22.2% of the syndication volume, totalling US$498.0 million from eight transactions. Land Transport Finance accounts for 2.6% of the portfolio, totalling US$57.5 million from one transaction.

Syndications deals by Transport Finance divisions – Volumes sold down (%)



Shipping Finance	75.2%
Aviation Finance	22.2%
Land Transport Finance	2.6%

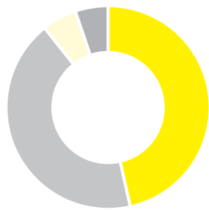
2.3 Investment Management

DVB's Investment Management division acts as a fund initiator, investment advisor and asset manager in the market for closed-end funds in the international transport sector. The funds initiated by DVB are geared towards professional investors.

The closed-end fund market is a further option for financing assets. As companies looking to finance assets are gradually moving away from holding assets (vessels, aircraft, containers, rail vehicles) as one of their core competences in order to focus solely on their operation, they are becoming more open to alternative structures for the financing of the assets they require. A classic example of this type of finance is the sale-and-leaseback structure. Financing via closed-end funds is increasingly being considered an alternative as more investment capital becomes available to provide these funds with capital resources. Moreover, funds can also provide transport companies with a wide range of direct equity investments. Likewise, participation in a closed-end fund is also gradually becoming an alternative for professional investors who wish to benefit from sustainable cash flows and returns while at the same time diversifying their risks. In view of the growth prospects of the transport markets and the high demand for new transport assets, the investor base for such investments has expanded considerably over recent years.

As at 31 December 2008, DVB's exposure in the funds it initiated totalled US$755.6 million and was distributed between the Deucalion Aviation Funds (US$351.3 million; 46.5%), SIIM (US$323.5 million; 42.8%), the Cruise/Ferry Fund (US$41.8 million; 5.5%) and Stephenson Capital (US$39.0 million; 5.2%).

DVB's exposure totalling US$755.6 million



Deucalion	46.5%	
SIIM	42.8%	
thereof:	36.6%	NFC Shipping Funds
	10.2%	Container Funds
Cruise/ Ferry Fund	5.5%	
Stephenson Capital	5.2%	

2.3.1 Shipping & Intermodal Investment Management (SIIM)

During 2008, DVB unified its shipping and intermodal funds under a single group. The shipping investment management activity has been active since 1999, and was previously known as NFC Shipping Funds. The intermodal investment management was set up by DVB at the end of 2006, and consists of three funds which act as the investment vehicles through which DVB and private investors jointly invest in intermodal equipment.

2.3.1.1 SIIM – Market review

The unprecedented turmoil experienced during the second half of 2008 significantly influenced the dynamics of the shipping and intermodal markets.

2008 proved to be a year of both positive and negative records: decreasing consumer confidence resulted in a collapse of the Baltic Dry Index. At the same time, 2008 was one of the best years ever for tanker owners. Whilst the "dry" market was hit harder than the "wet", freight rates and asset values fell across all sectors and geographies.

The container box leasing sector emerged from a challenging 2007 which made the margins wafer-thin. In 2008, the increasing number of idle container ships did not benefit the market and DVB expects to see more and more containers redelivered to the leasing companies.

2.3.1.2 SIIM – Strategy

The shipping and intermodal investment management activities combine to offer an excellent and proven track record, an experienced management team and a wealth of market knowledge. This is further leveraged by DVB's in-house market and asset research capabilities for both shipping and intermodal assets.

On the shipping side, the focus is to develop and maintain a diversified portfolio of shipping and offshore investments, creating a stable cash flow with upside potential depending on shipping market developments.

Primary focus for the intermodal funds is the ownership of intermodal assets through direct equity investments. Equipment types invested in include dry vans, reefer and tank containers, special and regional equipment, ranging in age from "factory new" to the "end of economic life" age.

2.3.1.3 SIIM – Products and portfolio analysis

The shipping and intermodal funds provide equity, equity bridge loans, preferred equity, mezzanine loan and sale-and-lease/manage-back structures to the shipping, offshore and intermodal sectors.

Furthermore, the intermodal investment management activity is the global lead arranger and purchaser of portfolios of maritime containers managed by one of the top ten leasing companies (with involvement in change of container ownership of over 1.4 million TEU).

As at year-end 2008 SIIM can boast a nine-year track record, and is invested in more than 90 projects, involving over 200 vessels, a total equity investment amount of more than US$500 million, and a gross asset value (including leverage) of more than US$3 billion. The intermodal funds have invested over US$160 million of equity, arranging the sale of more than 1.4 million TEU of maritime containers. DVB's total commitment amounts to US$350 million. The return on equity from all realised investments has been excellent, and well above the target of 15%. The combined shipping and intermodal funds portfolio was well diversified at year-end 2008, by asset type, geography and counterparty.

Abbreviations SIIM

TEU	*Twenty Foot Equivalent Unit*

Abbreviations
Deucalion Aviation Funds

YoB	*Year of Build*
IAI	*Israel Aerospace Industries*
IPO	*Initial Public Offering*
MYR	*Malaysian Ringgit (Malaysian currency)*

2.3.2 Deucalion Aviation Funds

With a proven track record dating back to 2001, the Deucalion Aviation Funds consist of a series of actively managed closed-end funds which act as the investment vehicles through which DVB and private investors together invest in aviation equity investments. Deucalion's senior investment managers, based in London and New York, act as the exclusive advisors to each of the funds, sourcing and managing aviation investments and assets. Each of the Deucalion funds has an independent Board of Directors. DVB is not represented on any of these boards and does not control any of the Deucalion funds.

2.3.2.1 Deucalion – Market review

The year 2008 started off with historically high oil prices which then accelerated to record highs mid-year. Understandably, oil prices had a profound impact on aircraft operating economics which necessitated a drive by airlines and aircraft owners to focus on more efficient, newer technology airframe and engine combinations, and to accelerate the retirement of less fuel-efficient assets. This rationalisation was undertaken in the context of a global passenger and cargo market that – in the first half of the year – continued to exhibit solid growth, and this was reflected through continued upward pressure on asset prices and lease rates for newer technology aircraft. The second half of 2008 was a quite different picture. As oil prices dropped dramatically – to the benefit of aircraft operators – this was in large part offset by a rapid fall in passenger and cargo demand against the background of a softening economic environment, putting significant downward pressure on aircraft asset prices and lease rates as operators sought to readjust their capacity. This trend is expected to continue well into 2009. Deucalion regards the downward pressure on asset prices as broadly positive in the context of a market that saw very significant asset price inflation in the years 2005 through 2007. This realignment in asset prices, in parallel with the increasing operating pressures on aircraft owners as a consequence of a poor economic climate and uncertain credit markets, is expected to provide compelling investment opportunities for the Deucalion funds.

2.3.2.2 Deucalion – Strategy

The Deucalion funds benefit from the extensive aviation expertise and asset research capability within DVB, whose exclusive focus and expertise in transport finance gives it a unique perspective and competitive advantage. The Deucalion funds play an important role in supporting DVB's airline clients through the provision of equity solutions in their aircraft acquisition and divestment strategies. The funds have a primary focus on ownership of aircraft assets through direct equity investments, chiefly through operating lease and sale-leaseback transactions. The funds also invest in aero engines, airline equities, passenger-to-cargo conversions, secured aircraft bonds and mezzanine loan investments. The funds are generally opportunity-driven, and not volume-driven.

2.3.2.3 Deucalion – Products and portfolio analysis

Despite what continued to be for most of 2008 a very competitive market, the Deucalion funds had a very busy and successful year, without compromising on target returns or credit quality. During 2008 the Deucalion funds concluded investments in a total of 23 commercial jet aircraft, all of which were subject to long-term operating leases.

Of the 23 aircraft with a total transaction value of over US$700 million, three were Airbus A319 aircraft delivered new in 2008. The other twenty comprised an A321, B737-800's, B757-200's and B767-300ER's, manufactured between 1992 and 2006. During 2008, the Deucalion funds also finalised a contract entered into in 2007 for the acquisition of six B747-400 passenger aircraft that are being acquired from Air France in 2009 and 2010, and which a Deucalion fund will then convert to full freighters under a contract with IAI's Bedek Aviation Group. Deucalion has significant investment experience in large capacity freighter aircraft generally, and also in the conversion of passenger aircraft to freighters.

During the year the Deucalion funds sold investments in five aircraft; an A340-300 (YoB: 2000), two A330-300's (YoB: 1994 and 1996) and two B747-400's (YoB: 1988 and 1989). The Deucalion funds also entered into forward sales contracts for its investments in an additional six aircraft: a B747-400F (YoB: 1998) and five B777F's scheduled for delivery from Boeing in 2009 and 2010. The aircraft investments (or purchase contracts in the case of the B777F's) were originally acquired between December 2004 and November 2007.

As at year-end 2008 the equity committed across all Deucalion funds totalled US$410 million, with DVB's drawn exposure totalling US$283 million. The return on equity on all realised investments in 2008 has been excellent, and significantly above the target of 15%.

At year-end 2008 all of the operating assets within the Deucalion funds were employed on long-term leases and the portfolio remains well diversified by lease maturity, aircraft/asset type, geography and counterparty.

In 2008, Deucalion remained a shareholder in Malaysian low-cost airline operator AirAsia, an equity investment made in 2003 prior to their IPO in 2004. The majority of Deucalion's shareholding in AirAsia was sold in 2006 and 2007 and the holding is now very modest. The weighted average share price when the shares were launched in the November 2004 IPO was MYR 1.23; they closed 2008 at MYR 0.87.

2.3.3 Cruise/Ferry Fund

Abbreviations Cruise/Ferry Fund	
BaFin	*Bundesanstalt für Finanzdienstleistungsaufsicht (in Germany)*

DVB, along with KG-house BUSS Capital, set up a €100 million investment fund in November 2007: Cruise/Ferry Master Fund I N.V., targeted at the passenger shipping sector.

As of 31 December 2008, €57.7 million has been invested, with another €10 million committed.

The master fund aims at combining the asset knowledge of DVB's Shipping Finance with the passenger transportation business model expertise of Aviation Finance, and at strategically covering the ground between the NFC and Deucalion investment vehicles. Therefore the fund incorporates an innovative structure, which for the first time allows German retail investors to invest in a DVB-managed fund via a specially-formed KG vehicle, Buss Kreuzfahrtfonds I, on a "blind pool" concept basis.

The fund primarily focuses on ownership of cruise vessels and ferries through direct equity investments, chiefly through operating lease and sale-and-leaseback transactions. It also plans to invest a substantial portion of its capital in mezzanine loan investments in the cruise and ferry sectors and, on a selected basis, cruise or ferry company equities.

The master fund features a recommendation panel with members from within DVB and Buss Capital, as well as a two-person board of independent directors. Due to its retail component, it was necessary to apply for BaFin approval in 2007, which was received in a record time of four weeks, underscoring both the fund's transparency and attractiveness to the German retail market.

Currently, the fund has invested in three junior debt deals, a controlling minority stake in a private equity transaction, and committed capital for a ferry sale-and-leaseback on a long-term basis. The junior debt deals, amounting to €54 million, represent the majority of the capital invested so far. The fund has been selective of the deals, in order to achieve cash flow sufficient to pay a running return to the investors, whilst leaning towards secured credit positions in view of the current economic environment.

With a further healthy pipeline of opportunities and a faster than anticipated investment process, the setting up of a second master fund is currently under consideration.

2.3.4 Stephenson Capital Fund

Each of the Stephenson Capital Fund's investments has been made via operating lessor companies, which manage the assets on behalf of the fund. The investments have been made in order to achieve a degree of diversification to the extent possible whilst still being in the fund's start-up phase, with one concentrating on tank wagons, another on locomotives and the third being primarily a manager of intermodal freight wagons. Similarly, the mode of investment itself has taken various forms, including mezzanine debt and share capital.

By the end of 2008 Stephenson Capital had €55 million of equity either invested or committed into three transactions, representing equipment with a value of over €200 million.

During the year, market activity both in Europe and the US increased, as a number of fleets, comprising various combinations of freight wagons, passenger trainsets and locomotives, were offered for sale by distressed parties. This was primarily a reflection of the shortage of bank liquidity in the market, leading to funding pressures when stage or final delivery payments were due. DVB expects that the continuing financial market uncertainties – in addition to the recent drops in freight trade volumes – will increase the chances of further portfolios becoming available either for outright purchase or for co-investment. In particular, the Bank expects that more co-investment opportunities will arise as leverage providers are typically demanding a higher equity injection from the owners, leading to equity capital becoming a scarce resource.

Stephenson Capital's strategy remains unchanged, with a focus on the freight markets both in Europe and the US, looking typically to co-invest in alignment with an experienced asset manager who is responsible for the delivery and inspection processes, placement of the equipment with suitable lessees, and either overseeing or undertaking the ongoing maintenance requirements. Working closely with the Land Transport Research team, the Fund's management seeks to identify assets within both the freight wagon and locomotive segments that enjoy wide demand from lessees, low risk of obsolescence, and are expected to combine high performance reliability with acceptable maintenance costs.

Investment opportunities in the European passenger trainset market do exist, but for new assets these projects usually require long pre-delivery finance commitments when no income is being generated. The franchise systems can provide a degree of protection to investors, but they also introduce risks should the operator not retain the franchise when it is renewed. In the Bank's view there are only limited trainset classes that make this risk an acceptable one.

DVB has also seen opportunities to invest in older passenger cars for refurbishment and replacement either back into the market of origin, or into other markets where funding is not readily available for new orders to be made. If Stephenson is to invest in passenger assets, it is most likely to be in this niche segment.

2.3.5 DVB Invest (Suisse) AG (DVB Invest)

DVB Invest was established in October 2008, as a wholly-owned subsidiary of DVB Bank SE. Based in Zurich, the company commenced operations during the first quarter of 2009.

DVB Invest is an investment management entity, which capitalises the link between growing transport industry demand for third-party capital and growing investor demand for exposure to physical assets such as transport assets. It acts as principal in creating attractive equity investment and trading opportunities in transportation assets, with a view to generating value through feeding investor demand for physical assets.

DVB Invest will be supplied with investment opportunities generated by the existing Investment Management business within DVB. These include equity and/or mezzanine investments in shipping, aviation, intermodal and rail. A new Special Purpose Vehicle fund will be created for each new project investment, which can be leveraged by senior and/or junior debt.

The maximum holding period for any investment will be 18 months, with a pre-determined exit strategy in place prior to making the initial investment. To obtain optimal returns, the exit strategy involves the individual sale of that investment – or for it to be packaged into portfolios for subsequent sell-down and placement with other investment funds or directly into the capital markets. DVB Invest aims at continuing the management of third-party capital upon investment exit.

DVB Invest's functions comprise fund administration and investor relations. Other functions will be provided by DVB Bank SE.

2.4 ITF International Transport Finance Suisse AG (ITF Suisse)

ITF Suisse was founded in Zurich in May 2007. The wholly-owned subsidiary of DVB Bank SE commenced business operations in August 2007 and concluded its first full business year on 31 December 2008.

2.4.1 ITF Suisse – Market review

After ITF Suisse commenced business activities, the banking sector was hit by the subprime crisis, and following the Lehman Brothers collapse on 15 September 2008 a profound lack of confidence caused the interbank capital market to seize up. The resulting rise in refinancing costs considerably slowed the planned expansion of the credit investment portfolio.

In 2008, financial market participants initially assumed that the market environment would quickly recover, anticipating a normalisation of refinancing costs in relation to credit margins. However, no recovery materialised during the course of the business year. Borrowers were prepared, though much later than expected, to accept the higher interest rate margins required for new business. Only towards the end of 2008, ITF Suisse was able to transact new business where interest rates agreed upon covered the increased cost of borrowing.

2.4.2 ITF Suisse – Strategy

ITF Suisse's strategy is to facilitate transport finance transactions by participating in international interbank syndications. Covering the sectors of shipping, aviation and land transport, ITF Suisse leverages DVB's research expertise in these transport finance segments.

ITF Suisse is committed to conducting a professional business, with swift and reliable decisions – in particular, through the combination of a restrictive lending policy and fast approval processes. Since the terms and conditions of exposures considered by ITF Suisse are already fully negotiated, it has no need for time-consuming credit structuring processes: this also facilitates fast decision-making. This is made possible by an experienced team and firm integration within DVB Group. A streamlined and cost-efficient organisational structure puts the company in a position to accept, as a trade-off, the lower earnings contributions that are customary in this type of business.

During the first half of 2008, the relevant target contacts to European banks were established, with very few exceptions. Business volume was increased over the previous year. The company is now firmly established on the market. The business concept has proved to be correct and will therefore be pursued.

2.4.3 ITF Suisse – Products

ITF Suisse exclusively engages in sub-participations in transport finance deals syndicated in the international interbank market. The company's clients consist solely of banks looking for syndication partners. This approach is intended to explore a market segment where DVB has not been active previously.

The transactions must fulfil defined risk criteria, with senior collateralisation by the financed asset required in principle. In 2008, the lending policy was expanded from the existing ship and aircraft asset classes to also include the land transport market segment so that financing business could be conducted for rolling stock such as locomotives, train sets and railway cars.

2.4.4 ITF Suisse – Portfolio analysis

In the shipping markets, orders for new vessels were already being postponed or cancelled in 2008. Nonetheless, numerous existing orders for vessels, aircraft and rolling stock were delivered: accordingly, there was still demand for adequate financing. In the latter half of the year, it became apparent that constantly rising refinancing costs were becoming increasingly difficult to pass on within the market given ITF Suisse's business model. Expanding the business was therefore nearly impossible in the second half of 2008. Only at year-end did the market regain momentum, making it possible for ITF Suisse to once again acquire new business.

A detailed examination of ITF Suisse's portfolio yields the following picture:

Over the course of the 2008 business year, ITF Suisse was presented with 125 financing opportunities with a total volume of US$4.72 billion. After being evaluated, only nine of these transactions (US$367 million) were finally approved. Due to the ongoing crisis affecting money and financial markets and the deteriorating conditions in the international transport markets, especially in individual maritime shipping segments, the portfolio expansion that was originally planned was delayed.

At 31 December 2008, an aggregate financing volume of US$540 million had been disbursed, in addition to US$171 million in existing irrevocable loan commitments. Of the total business volume, about 8% was comprised of aircraft financing (US$58 million) and the majority of transactions continued to be business secured by ship mortgages (US$653 million).

In line with the restrictive lending policy pursued by ITF Suisse, the entire portfolio volume is backed by senior liens on assets. Over 99% of exposures had a loan-to-value ratio below 85% (about 87% are even below 60%) with only 0.65% of the portfolio above 85%.

The portfolio's low level of risk is also apparent in the very modest regulatory capital adequacy requirements. The required equity cover was 0.2% as at 31 December 2008, calculated on the basis of the Basel II regulations coming into full effect from 1 January 2010.

Show me a bank with such in-depth industry knowledge and an asset focus that is next to none in banking.

Uniquely risk-aware

3. Economic situation

in accordance with section 315 (1) sentences 1 to 4 of the HGB
(as at 19 March 2009)

Maintaining its consistent focus on the global transport finance business, DVB followed up on the record figures posted for 2007 with a very satisfactory result posted in its consolidated financial statements 2008 – in spite of all the challenges brought about by the spreading global financial markets and economic crisis.

Abbreviations economic situation	
AktG	*Aktiengesetz*
bp	*Basis points*
CIR	*Cost/income ratio*
HGB	*German Commercial Code (Handelsgesetzbuch)*
IAS	*International Accounting Standards*
IFRS	*International Financial Reporting Standards*
KWG	*German Banking Act (Kreditwesengesetz)*
LIBOR	*London Interbank Offered Rate*
pp	*Percentage points*
RoE	*Return on equity*

At €104.9 million, consolidated net profit was only slightly lower (down 3.9%) than the previous year's figure of €109.2 million. Driven by higher new business volume (up 3.9% to €7.37 billion) and a higher average interest margin on new business originated (up 50 bp to 186 bp), net interest income after allowance for credit losses increased by a notable 4.2% to €176.7 million. The 24.4% increase in net fee and commission income, to €105.5 million, was particularly gratifying since it affirms DVB's strong position as an arranger of complex financing solutions.

Two non-recurring effects need to be taken into account when assessing the decrease in consolidated net profit.

- DVB recognised a €35.8 million write-down on a debt security issued by an Icelandic bank, which DVB had acquired as a liquidity reserve to facilitate payments with the ECB (and not as an investment in a credit surrogate). During the third quarter of 2008, this portfolio of ECB-eligible securities amounted to a mere €83.0 million. Accordingly, net income from investment securities fell considerably, to €–34.1 million (2007: €17.1 million).
- Furthermore, DVB incurred additional refinancing costs in the region of €29 million as a consequence of distortions on the money market.

At €21.03 billion, the volume of business in 2008 was up by a significant 26.7% on the previous record year's level (2007: €16.60 billion).

The key performance indicators which DVB uses to manage its business held up well in an extremely challenging environment: return on equity was 13.1% (2007: 20.4%), and the cost/income ratio stood at 57.4% (2007: 51.2%). Based on German GAAP (HGB), RoE was 17.7% (2007: 25.9%), and CIR was 43.9% (2007: 45.0%).

During 2008 DVB continued to adhere to its policy of exclusively extending loans which are secured by the financed transport assets, such as vessels, aircraft, locomotives or wagons. DVB's in-house research capabilities were once again crucially important for valuing such assets. Taking a long-term view, global transport remains a growth market, albeit one that is exposed to global economic cycles. The downtrend on transport markets accelerated during the second half of 2008, reflecting the impact of the financial markets crisis. Thanks to its sophisticated risk management system and its lending policies that are cycle-neutral by design, DVB was again successful in avoiding credit defaults in its portfolio during 2008 and adhered to its tried-and-tested strategy of pricing exposures in line with the risks involved.

3.1 Key elements of business performance in 2008

The following key elements characterised DVB's business in 2008:

- *Strong growth in new business,* with 229 new transactions and an aggregate volume of €7.37 billion – up 3.9% year on year;
- *Leading position* in 68.3% of transactions in the overall portfolio and in 69.2% of new transactions;
- Launch of the *Shipping Asset Management (SAM)* to (re-)market vessels and containers;
- *Capital base strengthened:* The capital increase carried out in 2008 yielded gross proceeds of €149.4 million. Of this amount, €17.0 million was allocated to the Bank's share capital, increasing it by 16.7%, from €101.8 million to €118.8 million. The remaining €132.5 million was transferred to the Bank's capital reserve.
- DVB received the following *awards* in 2008:

PDP Deal of the Year	DVB, KfW IPEX & Deutsche Bank for AeroLogic	Airfinance Journal – Jan 2008
Cargo Finance Deal of the Year	DVB, KfW IPEX & HSH Nordbank for Cargolux	Airfinance Journal – Jan 2008
Africa Deal of the Year	ING & DVB for Ethiopian Airlines	Airfinance Journal – Jan 2008
Rail Finance House of the Year	DVB	Jane's Transport Finance – Nov 2008
US Rail Deal of the Year	DVB & Credit Suisse for Trinity Industries	Jane's Transport Finance – Nov 2008
Aircraft Debt Deal of the Year – Asia	DVB for Jet Airways	Jane's Transport Finance – Nov 2008
Aircraft Debt Deal of the Year – Middle East	DVB & others for DAE Capital	Jane's Transport Finance – Nov 2008
Aircraft Capital Markets Award	DVB, KfW IPEX, HSH Nordbank & Calyon for Aircastle	Jane's Transport Finance – Nov 2008
Best Shipping Finance Research		Lloyd's Shipping Economist – Nov 2008

3.2 Business framework in 2008

The following factors are relevant for the consolidated financial statements (including notes) and the management report of DVB Group for the 2008 business year:

3.2.1 The merger and the change of legal form

On 11 June 2008, the Annual General Meeting of DVB Bank AG passed a resolution on the merger of DVB Bank N.V. into DVB Bank AG, together with a change of the legal form of DVB Bank AG from a public limited company according to German law (Aktiengesellschaft) to a European public limited-liability company (Societas Europaea or "SE"). The merger and the change of the legal form were registered with the Commercial Register on 1 October 2008 and apply retrospectively as of 1 January 2008. The registered office of the new company is Frankfurt/Main, whereas the former subsidiary DVB Bank N.V. will continue to be operated as a Dutch and Norwegian branch. The name of the Group parent entity was changed to DVB Bank SE.

3.2.2 Sector-based organisation of DVB's Shipping Finance division

With effect from 1 January 2008, DVB reorganised its Shipping Finance business, changing the previous regional sales structure to ten global groups focusing on key shipping sectors: Container Box Group, Cruise & Ferry Group, Crude Oil & LNG Tanker Group, Chemical & LPG Tanker Group, Container Vessel Group, Dry Bulk Group, Floating Production Group, Offshore Drilling Group, Offshore Support Group and Product Tanker Group. Three of these sector teams have already been operating successfully for several years.

3.2.3 Outbreak of the financial markets crisis and impact on DVB

Current global turbulence on the financial markets began with trouble in the US real estate market. The credit boom in recent years saw inexpensive mortgages being offered to low-income borrowers with poor credit ratings (referred to as "subprime" borrowers). Back in 2006, 90% of these mortgages loans were on a floating-rate basis or had rising rates. These low credit quality – and hence, high-risk – mortgage loans were packaged into investments ("securitised") by investment banks which in turn sold the securitised debt to other banks and insurance companies around the world, offering attractive returns. The result of this activity was to spread default risk very widely – but as a consequence, transparency of risk exposures also diminished. However, as early as 2004, the US central bank had started to raise interest rates, causing many mortgage borrowers problems in making their payments. Subsequently, the overheated real estate market cooled off, house prices fell and the number of foreclosures rose sharply.

This chain reaction in the US mortgage market elicited not only mistrust in subprime products, but also precipitated a crisis of confidence in other investment products or vis-à-vis banks exposed to such products. These developments led to the bankruptcy of Lehman Brothers on 15 September 2008. That collapse became the "turning point of the 2008 business year", when reaction in the financial world was a widespread loss of confidence, effectively extending the US subprime crisis once and for all into a global financial crisis, with blocked interbank markets. Liquidity bottlenecks had the effect that customers of banks around the world face tighter borrowing criteria and rising spreads. Banks also reported that companies were tending to postpone proposed investments "until the waves have calmed". The reluctance of banks to extend credit and companies' growing reluctance to invest influenced private consumption: the financial markets crisis reached the real economy.

DVB was not directly affected by the subprime crisis during 2008, nor is it affected at present. This is because the Bank is not exposed to the US mortgage business, nor does it hold any credit surrogate business in its portfolio. On the contrary, DVB has adhered to its clear focus as an asset financing specialist covering the global transport finance markets.

DVB has not, however, been completely insulated from the repercussions of the spreading financial markets crisis. The extreme distortions in the money market, in conjunction with the virtual suspension of interbank trading during the course of 2008, have been sources of trouble for the Bank, leading to an enormous shortage of available liquidity, with steeply rising short-term rates. Market distortions created further burdens, caused by the divergence of the LIBOR reference rate and current interbank interest rates, and also due to increased client demand for loans revolving on a one-month basis. DVB succeeded in passing on higher refinancing costs to its clients for new business. DVB's integration in the German Cooperative Financial Services Network led by DZ BANK provided DVB with indirect access to the so-called "retail liquidity" generated by German cooperative banks. DVB was able to once again rely on this solid funding base during 2008.

Further details regarding the impact of the financial markets crisis on the consolidated financial statements are explained below, in the relevant parts of the group management report.

3.2.4 Developments in shipping markets

The global economic slowdown, triggered by the financial markets crisis, has created problems on international transport markets. During 2008 and to the present day, this has especially been the case with regard to the traditionally cyclical shipping markets. In its 2007 Annual Report, DVB had forecasted a market slowdown. As it turned out, the slump was significantly exacerbated by the crisis affecting financial markets and the global economy. Freight rates and vessel values – for container vessels and bulk carriers, for instance – reached a peak in the first half of 2008 before falling dramatically: the Baltic Exchange Dry Index (BDI) collapsed from 11,793 index points in May 2008 to just 663 points in early December. Since then, freight rates have shown a gradual and steady recovery: on 17 March 2009, the index stood at 1,974 points – but this should not necessarily be labelled a turnaround as yet. Given that vessel values materially depend upon the freight rates achieved, a slump in rates tends to presage falling values, which in turn may lead to impairments of vessels serving as loan collateral. Under such conditions, ship owners strive to offset falling demand by reducing excess capacity. Accordingly, orders for new ships are already being postponed or cancelled.

3.2.5 Euro/US dollar exchange rate development

Due to its operations in international transport finance, the development of the euro/ US dollar exchange rate always has a particular impact on DVB's consolidated financial statements.

In 2007 the euro had shown a steady uptrend against the US dollar, closing the year at just under US$1.46. There was no such clear trend during 2008: in contrast, foreign exchange markets were just as turbulent as other financial markets. Having reached a historical high of just over US$1.60 in mid-July 2008, the euro fell to a low of US$1.23 on 28 October 2008. Despite the massive intra-year volatility, the euro ended 2008 almost unchanged year on year, at US$1.39.

Driven by strong new Transport Finance business, customer lending grew stronger in euro terms compared to US dollars.

- 85.1% of the overall volume of customer lending was denominated in US dollars, representing 85.2% of the lending business in Shipping Finance and 98.4% in Aviation Finance. The increase in the nominal volume of customer lending was considerably higher in euro terms (+28.7%) than on a US dollar basis (+21.6%).
- The US dollar/euro exchange rate thus had a considerable bearing on the interest and fee and commission income generated in the two largest Transport Finance segments (Shipping Finance and Aviation Finance). In contrast, 40.4% of the lending volume in the Land Transport Finance division is denominated in US dollars, so that the income generated in this segment was less susceptible to changes in the exchange rate.
- Earnings that were mostly US dollar-denominated were offset by costs that were mainly incurred in euro. DVB uses derivatives to hedge the net US dollar income: accordingly, these revenues remained largely unaffected by fluctuations in the exchange rate during the course of the year.

3.3 Results of operations

3.3.1 Income

DVB's income declined by 3.5% year on year, from €266.1 million in 2007 to €256.7 million in the 2008 business year. As in the consolidated financial statements for 2007, the following factors were incorporated:

- allowance for credit losses was included in the net figures;
- interest expenses for the silent partnerships were also taken into account; and
- income generated from operating leases, and the corresponding expenditure, was also included in the calculation of net interest income.

€ mn	2008	2007	Change € mn	Change %
Income	**256.7**	**266.1**	**–9.4**	**–3.5**
Net interest income after allowance for credit losses	**176.7**	**169.6**	**7.1**	**4.2**
Interest and similar income	872.9	797.4	75.5	9.5
Interest income	869.0	779.9	89.1	11.4
Current income	3.9	17.5	–13.6	–77.7
Interest expenses	679.7	607.5	72.2	11.9
Allowance for credit losses	16.5	20.3	–3.8	–18.7
Net fee and commission income	**105.5**	**84.8**	**20.7**	**24.4**
Fee and commission income	109.5	92.7	16.8	18.1
Fee and commission expenses	4.0	7.9	–3.9	–49.4
Net income from financial instruments in accordance with IAS 39	**–54.1**	**6.1**	**–60.2**	**–**
Net trading income	0.1	–6.2	6.3	–
Hedge result	–13.7	–3.8	–9.9	–
Result from the application of the fair value option	0.8	0.4	0.4	–
Result from derivatives entered into without intention to trade	–7.2	–1.4	–5.8	–
Net income from investment securities	–34.1	17.1	–51.2	–
Result from investments accounted for using the equity method	**0.0**	**3.7**	**–3.7**	**–**
Net other operating income/expenses	**28.6**	**1.9**	**26.7**	**–**

3.3.1.1 Net interest income after allowance for credit losses

Net interest income after allowance for credit losses rose by 4.2%, from €169.6 million to €176.7 million.

Consolidated **net interest income** increased by 1.7%, from €189.9 million to €193.2 million.

This figure included higher net interest income generated in the three Transport Finance segments (Shipping, Aviation, and Land Transport Finance), which increased by 5.5%, from €128.9 million to €136.0 million. Net interest income in Shipping Finance was up slightly (by 2.3%) to €72.6 million, whilst in Aviation Finance it rose by 6.8%, to €51.5 million. The increase in Land Transport Finance was even more pronounced: net interest income was up 22.7% to €11.9 million.

Net interest income generated by the Investment Management division nearly doubled from €31.4 million to €62.4 million. Hence, the share of Investment Management business in consolidated net interest income amounted to 32.3%.

Interest income rose by 9.5%, from €797.4 million to €872.9 million. Major contributions to the total figures are broken down as follows:

- €768.6 million (+8.8%) from Transport Finance credit business;
- €95.5 million (+40.9%) from operating lease income, derived largely from the funds managed by the Investment Management division (which must be consolidated); and
- €3.9 million (–77.7%) from current income, generated by distributions from investments, and from joint ventures.

Interest expenses of €679.7 million (+11.9%) comprised €601.8 million (2007: €542.7 million) in refinancing costs for the Transport Finance lending business, €44.8 million (2007: €26.4 million) in operating lease expenditure, and €33.1 million (2007: €38.4 million) in expenses for silent partnership contributions and subordinated capital.

Interest margins for new Transport Finance business developed as follows:

bp	**2008**	2007	2006	2005	2004
Shipping Finance	180	137	135	139	144
Aviation Finance	214	159	191	216	206
Land Transport Finance	179	114	137	149	139
ITF Suisse	115	90	–	–	–

Allowance for credit losses fell by 18.7%, from €20.3 million to €16.5 million.

€ mn	2008	2007	Change € mn	Change %
Allowance for credit losses	**16.5**	**20.3**	**–3.8**	**–18.7**
Additions	45.9	40.0	5.9	14.8
Reversals	–29.3	–20.6	–8.7	42.2
Direct write-offs	0.8	1.0	–0.2	–20.0
Recoveries on loans and advances previously written off	–0.9	–0.1	–0.8	–

Additions totalled €45.9 million. The main items were:

- €32.3 million for the Shipping Finance portfolio;
- €12.0 million for the Aviation Finance portfolio;
- €1.1 million for the D-Marketing portfolio, which the Bank continues to reduce; and
- €0.3 million for the Land Transport Finance portfolio.

This figure was offset by €29.3 million in ***amounts released.*** The main items were:

- €12.5 million for the Aviation Finance portfolio;
- €8.1 million for the Shipping Finance portfolio.
- €5.1 million for D-Marketing; and
- €3.5 million for the Land Transport Finance portfolio.

Total allowance for credit losses declined by 5.0%, from €113.6 million to €107.9 million, comprising mainly:

- €49.5 million for the Aviation Finance portfolio;
- €39.1 million for the Shipping Finance portfolio;
- €10.8 million for the D-Marketing portfolio, which the Bank continues to reduce;
- €8.0 million for the Transport Infrastructure portfolio, with residual exposures held to maturity; and
- €0.5 million for the Land Transport Finance portfolio.

Thanks to the high level of collateralisation of DVB's Transport Finance activities, provided by the financed assets in the Structured Asset Financing business (Shipping, Aviation and Land Transport Finance), and the coverage of the Transport Infrastructure exposure through concessions, no *country risk provisions* are required *in accordance with IAS 39.* Additionally, at 0.2% in terms of net risk exposure, the share of commitments that involve a high degree of country risk is very low relative to the overall volume of customer lending.

3.3.1.2 Net fee and commission income

Consolidated **net fee and commission income** also posted a notable increase of 24.4%, from €84.8 million to €105.5 million.

The contribution from the three Transport Finance segments (Shipping, Aviation, and Land Transport Finance) rose by 21.8%, from €84.0 million to €102.3 million.

The growth in Land Transport Finance was particularly striking, increasing by 95.5%, from €2.2 million to €4.3 million. Net fee and commission income in Aviation Finance also developed positively, gaining 41.7% to €29.9 million, whilst in Shipping Finance, it rose by 12.2%, from €60.7 million to €68.1 million.

Fee and commission income totalled €109.5 million (+18.1%), of which 86.9% (or €95.2 million) was generated in the lending business. The figure was offset by *fee and commission expenses* of €4.0 million (–49.4%) – including, in particular, expenses incurred in the credit business (€1.3 million), and for guarantees and indemnities (€0.9 million).

3.3.1.3 Net income from financial instruments in accordance with IAS 39

Net income from financial instruments in accordance with IAS 39 changed from €6.1 million to €–54.1 million.

Strong volatility in the interest rate and foreign exchange markets throughout 2008 was reflected in the following items:

- *Net trading income* amounted to €0.1 million (2007: €–6.2 million), including standalone derivatives in the trading portfolio.
- On the other hand, the *hedge result (hedge accounting)* was €–13.7 million (2007: €–3.8 million); this figure includes derivatives and hedged items in effective hedge relationships.
- The *result from the application of the fair value option* amounted to €0.8 million (2007: €0.4 million) and included the previous year's designated hedged items and associated derivatives.
- The *result from derivatives entered into without intention to trade* declined from €–1.4 million to €–7.2 million.

The *net income from investment securities* fell from €17.1 million to €–34.1 million. The main factor determining this figure was a €35.8 write-down on a bond issued by an Icelandic bank, which DVB held as a liquidity reserve for payments.

3.3.1.4 Result from investments in companies accounted for using the equity method

Results from investments in companies accounted for using the equity method fell from €3.7 million to nil.

3.3.1.5 Net other operating income/expenses

Net other operating income/expenses showed a marked increase from €1.9 million to €28.6 million. The net figure comprised mainly income from the release of provisions (2008: €5.7 million; 2007: €2.6 million) and miscellaneous other income of €25.1 million (of which €7.2 million was attributable to TES Holdings Ltd., €2.7 million to NFC Shipping Funds and €5.7 million to Deucalion Aviation Funds).

3.3.2 Development of the result from ordinary activities

The result from ordinary activities was down 15.6%, from €118.7 million to €100.2 million.

€ mn	**2008**	2007	Change	
			€ mn	%
Income	**256.7**	**266.1**	**–9.4**	**–3.5**
General administrative expenses	**156.5**	**147.4**	**9.1**	**6.2**
Staff expenses	91.3	88.0	3.3	3.8
Non-staff expenses	60.1	54.4	5.7	10.5
Depreciation, amortisation, impairment and write-ups	5.1	5.0	0.1	2.0
Result from ordinary activities before tax	**100.2**	**118.7**	**–18.5**	**–15.6**

General administrative expenses, which are deducted from income, increased by 6.2% to €156.5 million.

3.3.2.1 Staff expenses

Staff expenses rose slightly, by 3.8%, from €88.0 million to €91.3 million. As in the previous year, the increase reflected the worldwide expansion of the specialist Transport Finance team (comprising 48 professionals).

3.3.2.2 Non-staff expenses

At €60.1 million, non-staff expenses were up 10.5% on the previous year (2007: €54.4 million). The key factors behind this increase were:

- advisory expenses of €21.4 million, which were broken down as follows:
  - €10.3 million for legal and audit expenses (including fees of €0.7 million for the audit of the financial statements);
  - €11.1 million for other advisory services (including IT consultancy expenses);
- ancillary labour costs of €12.4 million; and
- occupancy expenses of €10.1 million; as well as
- contributions and fees of €3.2 million.

3.3.2.3 Depreciation, amortisation, impairment and write-ups

Depreciation, amortisation, impairment and write-ups grew by 2.0%, from €5.0 million to €5.1 million. Of this, €2.7 million (2007: €1.8 million) was attributable to intangible assets (software).

3.3.3 Development of consolidated net profit

Consolidated net profit declined by 3.9%, from €109.2 million to €104.9 million.

€ mn	**2008**	2007	Change € mn	Change %
Result from ordinary activities before tax	**100.2**	**118.7**	**–18.5**	**–15.6**
Income tax expense	5.0	–11.0	16.0	–
Minority interests	–0.3	1.5	–1.8	–
Consolidated net profit	**104.9**	**109.2**	**–4.3**	**–3.9**

The result from operating activities was subject to an ***actual tax burden*** of €8.7 million, which was offset by €13.7 million in income related to deferred taxes. Accordingly, a total of €5.0 million in income from income tax refunds was reported. Consolidated net profit thus amounted to €105.2 million. Consolidated net profit additionally included ***minority interests*** of €–0.3 million (2007: €1.5 million), reflecting the share in the income that is economically attributable to minority shareholders in consolidated entities.

3.3.4 Distributable profit and appropriation of profits

Distributable profit rose from €20.6 million to €27.9 million (+35.4%).

€ mn	**2008**	2007	Change € mn	Change %
Consolidated net profit	**104.9**	**109.2**	**–4.3**	**–3.9**
Profit carried forward from previous periods	0.0	0.7	–0.7	–
Transfer to retained earnings	77.0	89.3	–12.3	–13.8
Distributable profit	**27.9**	**20.6**	**7.3**	**35.4**

No ***profit carried forward from previous periods*** was carried in 2008. €77.0 million (–13.8%) was transferred from current operations to ***retained earnings.***

DVB Bank SE will propose to its Annual General Meeting, which will be held on 10 June 2009, to pay an increased ***dividend*** of €0.60 (+€0.10) per notional no-par value share for the 2008 business year, to be paid from DVB Bank SE's net retained profit. This represents a dividend yield of 2.30% based on the year-end share price of €26.10.

3.4 Financial position

3.4.1 Liabilities on the balance sheet

DVB's liabilities recognised on the balance sheet increased as a result of the expansion of the Structured Asset Financing activities in the Transport Finance division by 29.7% to €15.54 billion (2007: €11.98 billion).

- ***Liabilities to banks*** rose by 75.9%, from €4.06 billion to €7.14 billion.
- ***Liabilities to customers*** increased by 14.9%, from €4.36 billion to €5.01 billion.
- ***Securitised liabilities*** declined slightly (by 7.2%), from €2.93 billion to €2.72 billion, whilst ***subordinated liabilities*** rose by 6.3%, from €0.63 billion to €0.67 billion.

3.4.2 Own funds

Own funds as defined by the German Banking Act (KWG) increased by 11.8% to €1.33 billion (2007: €1.19 billion).

€ mn	2008	2007	Change € mn	Change %
Issued and fully paid ordinary shares (less treasury shares)	114.0	93.0	21.0	22.6
Capital reserve plus other reserves eligible for inclusion	290.2	162.0	128.2	79.1
Special item for general banking risks pursuant to section 340 g of the HGB	504.5	422.3	82.2	19.5
Other components of Tier 1 capital	139.2	140.3	–1.1	–0.8
Items deducted from Tier 1 capital pursuant to section 10 (2 a) sentence 2 of the KWG	5.3	3.1	2.2	71.0
Items deducted from Tier 1 capital pursuant to section 10 (6 and 6 a) of the KWG	30.8	0.0	30.8	–
Total Tier 1 capital pursuant to section 10 (2 a) of the KWG	**1,011.8**	**814.5**	**197.3**	**24.2**
Total Tier 2 capital pursuant to section 10 (2 b) of the KWG before deductions and eligible Tier 3 capital pursuant to section 10 (2 c) of the KWG	349.5	378.6	–29.1	–7.7
Items deducted from Tier 2 capital pursuant to section 10 (6 and 6 a) of the KWG	30.8	0.0	30.8	–
Net Tier 2 capital pursuant to section 10 (2 b) of the KWG plus eligible Tier 3 capital pursuant to section 10 (2 c) of the KWG	**318.7**	**378.6**	**–59.9**	**–15.8**
Net adjusted available capital pursuant to section 10 (1 d) of the KWG plus eligible Tier 3 capital pursuant to section 10 (2 c) of the KWG [1)]	**1,330.5**	**1,193.1**	**137.4**	**11.5**

1) Taking into account transfer to reserves from net profit

3.4.2.1 DVB share and Tier 1 capital in accordance with section 10 (2 a) of the KWG

At the beginning of 2008, there were still eight historical share certificates in circulation, in addition to the global share certificate lodged with Clearstream in Frankfurt/Main. These physical certificates date back to the years 1988 and 1993, when they were issued under the former company names "Deutsche Verkehrs-Kredit-Bank AG" and "Deutsche Verkehrs-Bank AG" and were denominated in Deutschmarks. In order to remedy this, the Board of Managing Directors decided on 12 February 2008 to undertake measures to have the eight historical certificates ***declared null and void.*** After receiving approval from the Frankfurt/Main local court, shareholders were notified that the historical certificates were to be declared null and void and that they should be redeemed. After the redemption deadline passed on 6 June 2008, the one historical certificate that had not been redeemed was declared null and void by the Board of Managing Directors. As of 9 June 2008, therefore, all DVB Bank SE shares are issued under one global share certificate that is deposited and recorded with Clearstream, Frankfurt/Main.

Strengthening DVB's liable capital was once again in 2008 key to the Bank's objective of realising further profitable growth potential in international transport finance, even in a challenging market environment due to the emerging global financial markets crisis. In order to strengthen this base, the Board of Managing Directors and the Supervisory Board decided on 11 June 2008 to ***increase the share capital.*** Specifically, it was agreed that 664,000 new no-par value bearer shares would be issued. On 18 June 2008, the subscription price was fixed by DVB's Board of Managing Directors at €225.00. After the subscription offer was published, DZ BANK AG acquired all the new shares, with the obligation to offer them to shareholders of DVB Bank AG for indirect subscription, during a period commencing on 24 June 2008 and ending on 8 July 2008, at a subscription ratio of 6:1. The new shares were listed on the stock exchange on 9 July 2008. DVB obtained gross proceeds totalling €149.4 million from the capital increase. Of this amount, €17.0 million was allocated to the Bank's share capital, increasing it by 16.7%, from €101.8 million to €118.8 million. The remaining €132.5 million was transferred to the Bank's reserves. In addition, the costs of the capital increase were recorded in the capital reserve in accordance with the provisions of IFRS. Following the closing of the capital increase on 11 July 2008, DZ BANK AG has held 95.44% of DVB's share capital, with the remaining 4.56% held in free float.

Tier 1 capital as defined in section 10 (2 a) of the KWG increased by 24.2% in 2008 to €1,011.8 million (2007: €814.5 million).

The Annual General Meeting of DVB Bank SE on 11 June 2008 passed a resolution to carry out a 10-for-1 ***share split*** after the capital increase. The market value of each share was reduced by a factor of ten, while the total number of shares increased by the same factor. The corresponding adjustments in shareholders' securities accounts were carried out on 15 August 2008. DVB shares have been traded "ex split" on the stock exchange since 18 August 2008.

Reserves increased by 36.0%, from €584.3 million to €794.7 million.

3.4.2.2 Tier 2 capital in accordance with section 10 (2 b) of the KWG, and eligible Tier 3 capital in accordance with section 10 (2 c) of the KWG

Tier 2 capital decreased by 15.8% from €378.6 million to €318.7 million.

Subordinated liabilities increased by 15.8%, from €336.1 million to €389.3 million. This reflects the issue of two new subordinated promissory note loans with an aggregate volume of US$101 million and final maturity in 2013.

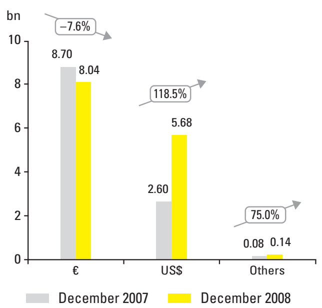
At the end of 2008 no ***profit-participation certificates*** were eligible for inclusion into regulatory capital in accordance with the KWG: the profit-participation certificate issue with the ISIN DE0008045543 ceased to be eligible on 30 June 2008 (two years prior to its final maturity on 1 July 2010).

We consistently complied with the *capital ratio* in accordance with sections 10 and 10 a of the KWG (Grundsatz I).

3.4.3 Refinancing

Group Treasury, based in Frankfurt/Main, is responsible for securing the refinancing of DVB's business. The unit also manages DVB's trading activities at a centralised level and hedges the market risk exposure of direct and indirect subsidiaries, thus indemnifying these entities against market risks.

Breakdown of funding volume by currency – 2008 vs. 2007

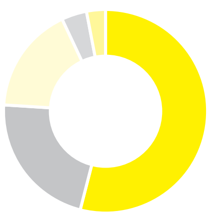


DVB conducts ***trading activities*** in risk management products for its own position and on behalf of its clients. It does so in order to hedge against market risk exposure from customer lending business, for managing liquidity, and to hedge profit contributions – particularly those generated in currencies other than the euro – against exchange rate fluctuations. The overall objective of DVB's ***risk management*** activities is to minimise DVB's exposure to interest rate and currency risks to the extent that is commercially feasible. With a ***diversified range of funding products,*** Treasury targets a broad spectrum of domestic and international investors. An attractive offer to existing and new investors, this extensive product range helps to further expand DVB's refinancing options.

3.4.3.1 Impact on DVB of the crisis affecting international financial markets

Like the year before, 2008 was characterised by turbulence on international financial markets, triggered during 2007 by the US subprime crisis. DVB continued to consistently implement its business model, which focuses on financing, structuring, and advisory services in the international transport finance business, throughout 2008. Accordingly, DVB was not involved in any of the types of business that had caused the US subprime crisis. DVB's strict adherence to its strategy therefore shielded the Bank against any direct negative impact from the crisis.

Refinancing vehicles 2008 (total funding volume: €13.86 bn)



Promissory notes/ long-term deposits	54%
Short-term deposits banks/customers	22%
MTN	17%
Silent partnership contributions, profit-participation certificates, subordinated liabilities	4%
Commercial Paper	3%

Nevertheless, the massive loss of confidence in the interbank market triggered by the financial markets crisis, combined with investor reservations vis-à-vis bank debt securities, impacted on DVB's funding structure and refinancing costs. The Bank's average funding costs increased due to the continued liquidity shortage.

3.4.3.2 Funding volume and refinancing vehicles

DVB's aggregate ***funding volume*** in 2008 amounted to €13.86 billion (interest-bearing liabilities), of which €8.04 billion was denominated in euro and €5.68 billion in US dollars. At €0.14 billion, other currencies only had minor importance.

As seen in the adjacent chart, the total volume was diversified across a range of ***refinancing vehicles***; specifically, this included promissory note loans and long-term deposits, short-term deposits from banks and customers, drawings under the MTN programme, own funds (as defined in the German Banking Act) and amounts drawn under the Commercial Paper Programme. As in the previous year, DVB once again boosted its medium and long-term funding volumes. Promissory note loans, MTN issues and medium-term deposits together accounted for an aggregate 71.0% (2007: 69.0%) share of the total volume. The share of money-market products such as Commercial Paper and short-term deposits was cut back accordingly.

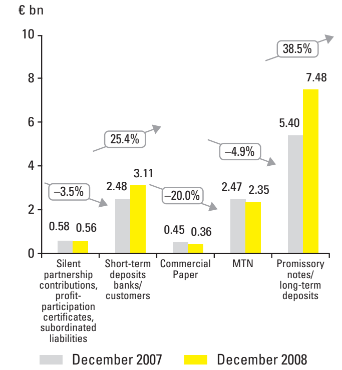
3.4.3.3 Structural comparison of refinancing vehicles

As in 2007, demand by international investors for fixed-income securities issued under the Bank's MTN programme remained low. Once again, DVB managed to successfully cope with this indirect impact of the financial markets crisis by increasingly focusing its funding activities towards German-speaking countries, where it benefits from its integration into the German Cooperative Financial Services Network, which has sufficient liquidity available.

A structural analysis of funding activities in 2007 and 2008 showed a 38.5% increase in DVB's German market sales of promissory note loans (€7.48 billion in 2008 vs. €5.40 billion in 2007). Short-term deposits from banks and customers rose by 25.4%, to €3.11 billion, whilst drawings under the Commercial Paper Programme decreased again, with the 20.0% decline reflecting market developments.

The adjacent chart illustrates the breakdown of funding volumes across the various refinancing vehicles in the years 2007 and 2008.

Funding structure 2008 vs. 2007



3.4.4 Risk-weighted assets and capital ratios according to the German Banking Act

%	**2008**	2007	2006	2005	2004
Basel II					
Tier 1 ratio	13.9	–	–	–	–
Total capital ratio	18.2	–	–	–	–
Basel I					
Tier 1 ratio	6.2	6.4	6.8	6.8	6.7
Total capital ratio	8.2	9.4	9.7	10.2	10.7

DVB has been reporting its capital ratios in accordance with the Basel II framework (Advanced Approach) since the 2008 business year. Accordingly, the ***Tier 1 ratio*** was 13.9%, and the ***total capital ratio*** 18.2%. The capital ratios shown include the funds raised through the capital increase successfully concluded in July 2008.

85.0% of DVB's Transport Finance business was denominated in US dollars. Therefore, the development of the euro/US dollar exchange rate once again impacted on risk-weighted assets and hence on the capital ratios. Risk-weighted assets rose as a result of the prospering new business. Tier 1 capital, and hence euro-denominated own funds, also increased. The capital ratios were recalculated upon confirmation of the financial statements. Part of the effect generated by the inflow of capital funds was offset by portfolio growth and exchange rate developments.

The total capital ratio in accordance with Basel I fell slightly to 8.2% and the Tier 1 ratio was also reduced to 6.2%.

3.4.5 Return on equity and cost/income ratio

DVB calculates the RoE before taxes in accordance with IFRS as follows: The result from ordinary activities before tax (including minority interests) of €99.9 million was divided by the total of the weighted capital (issued share capital, capital reserves and retained earnings, excluding the fund for general banking risks, plus minority interest, all items as at 1 January 2008) of €760.5 million. This equated to a ratio of 13.1%.

The CIR is calculated in accordance with IFRS as follows: The general administrative expenses of €156.5 million were divided by the total of net interest income (before allowance for credit losses), net fee and commission income, net income from financial instruments in accordance with IAS 39, results from investments accounted for using the equity method, net other operating income/expenses and minority interests (€272.9 million). This corresponded to a ratio of 57.4%.

The management of DVB Group during 2008 focused, among other things, on the key financial indicators return on equity (RoE) and the cost/income ratio (CIR).

%	IFRS		HGB	
	2008	2007	**2008**	2007
Return on equity (before tax)	13.1	20.4	17.7	25.9
Cost/income ratio	57.4	51.2	43.9	45.0

The RoE calculated in accordance with ***IFRS*** declined to 13.1% in 2008 (2007: 20.4%). The CIR in accordance with IFRS rose from 51.2% to 57.4%.

When applying ***German GAAP (HGB),*** RoE was down by 8.2 pp, to 17.7%, in 2008. The CIR fell by another 1.1 pp, to 43.9%.

3.5 Net assets

3.5.1 Business volume and total assets

At €21.03 billion, the volume of business in 2008 was up 26.7% on the previous year (2007: €16.60 billion). Besides total assets of €17.38 billion, the figure also includes irrevocable loan commitments of €3.65 billion.

3.5.2 Lending volume over time

Lending volume of €19.37 billion was up 21.7% on the previous year.

€ bn	**2008**	2007	Change	
			€ bn	%
Loans and advances to banks	0.32	1.52	–1.20	–78.9
Loans and advances to customers	14.32	10.12	4.20	41.5
Securities (including equity investments)	0.13	0.19	–0.06	–31.6
Guarantees and indemnities	0.75	0.55	0.20	36.4
Irrevocable loan commitments	3.65	3.45	0.20	5.8
Derivatives	0.20	0.08	0.12	–
Lending volume	**19.37**	**15.91**	**3.46**	**21.7**

At €0.32 billion, *loans and advances to banks* were significantly lower than in the previous year (2007: €1.52 billion).

Loans and advances to customers rose by 41.5% to €14.32 billion.

The volume of *investment securities (including equity investments)* held declined from €0.19 billion to €0.13 billion.

Guarantees and indemnities increased to €0.75 billion, whilst *irrevocable loan commitments* were up by 5.8%, from €3.45 billion to €3.65 billion. The rise in both figures was also attributable to the high volume of new business.

As in previous years, DVB employed derivative instruments for hedging purposes, offering them (to a very limited extent) to clients as well. The volume of *derivatives* increased to €0.20 billion.

3.5.3 Nominal volume of customer lending by business division

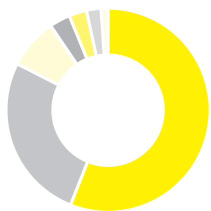
DVB's nominal customer lending (the aggregate of loans and advances to customers, guarantees and indemnities and irrevocable loan commitments) comprises Structured Asset Financing exposures of the Transport Finance divisions and loan exposures no longer in line with DVB's strategy, which are being managed and phased out by D-Marketing.

Prospering new business in Aviation Finance (+51.4%) and Land Transport Finance (+35.5%) segments, and at ITF Suisse (+176.5%) drove up customer lending by 28.7%, from €14.37 billion to €18.49 billion.

The breakdown of customer lending is as follows:

At 56.7% (2007: 58.3%), Shipping Finance represented the largest share, followed by Aviation Finance at 26.5% (2007: 25.2%). 8.2% (2007: 7.9%) was attributable to Land Transport Finance, 3.3% (2007: 3.5%) to Investment Management, and 2.8% (2007: 1.0%) to ITF Suisse. The share of the Transport Infrastructure portfolio, where residual exposures are held to maturity, declined to 2.3%. The D-Marketing portfolio, comprising phased-out exposures, accounted for a mere 0.2% (2007: 0.6%) of the portfolio.

Customer lending by business division



Shipping Finance	56.7%
Aviation Finance	26.5%
Land Transport Finance	8.2%
Investment Management	3.3%
ITF Suisse	2.8%
Discontinued portfolio: Transport Infrastructure	2.3%
Portfolio to be phased out: D-Marketing	0.2%

3.5.4 Portfolio analysis

3.5.4.1 Portfolio analysis – Key factors

The following factors defined portfolio developments during 2008:

- *Euro/US dollar exchange rate development:*
  The US dollar strengthened against the euro towards the end of 2008. Customer lending thus climbed by 28.7% in euro terms, which was stronger than on a US dollar basis (+21.6%): 85.1% of overall customer lending was denominated in US dollars. Within Shipping Finance, the figure was at 85.2% and within Aviation Finance, it was 98.4%.

- *Leading role:*
  In 2008, DVB maintained its position in international transport finance and was again involved in a considerable number of transactions where the Bank took a leading role (69.2%, compared to 67.0% in 2007).

- *Investment Management:*
  This segment accounts for the growing investment fund business, comprising Shipping and Intermodal Investment Management (SIIM, covering NFC Shipping Funds, Intermodal Equipment Funds, Cruise/Ferry Fund and Stephenson Capital) as well as Deucalion Aviation Funds.

3.5.4.2 Portfolio analysis – Volume trends

In order to detail the effects of the euro/US dollar exchange rate on the portfolio, DVB has analysed the development of lending volume by business division over a five-year period, both in terms of euro and US dollar.

The Shipping Finance portfolio grew by 18.2% in US dollar terms, from US$12.34 billion to US$14.59 billion. Due to currency effects, the increase was greater in euro terms, growing by 25.1%, from €8.38 billion to €10.48 billion.

A similar scenario applied to the Aviation Finance portfolio, which grew by 28.2% in US dollar terms, from US$5.32 billion to US$6.82 billion. The increase in euro terms was significantly stronger, up by 35.4% from €3.62 billion to €4.90 billion.

Volume trends (€ bn)	2008	%	2007	%	2006	%	2005	%	2004	%
Shipping Finance	10.48	56.7	8.38	58.3	6.71	56.1	5.73	53.2	4.29	52.6
Aviation Finance	4.90	26.5	3.62	25.2	3.12	26.1	2.99	27.7	2.20	27.0
Land Transport Finance	1.51	8.2	1.14	7.9	0.98	8.2	0.96	8.9	0.90	11.0
Investment Management	0.61	3.3	0.51	3.5	0.36	3.0	0.27	2.5	–	–
ITF Suisse	0.51	2.8	0.14	1.0	–	–	–	–	–	–
Discontinued portfolio: Transport Infrastructure	0.43	2.3	0.50	3.5	0.67	5.6	0.64	5.9	0.52	6.4
Portfolio to be phased out: D-Marketing	0.05	0.2	0.08	0.6	0.13	1.1	0.19	1.8	0.25	3.0
Total	**18.49**	**100.0**	**14.37**	**100.0**	**11.97**	**100.0**	**10.78**	**100.0**	**8.16**	**100.0**

Volume trends (US$ bn)	2008	%	2007	%	2006	%	2005	%	2004	%
Shipping Finance	14.59	56.7	12.34	58.3	8.84	56.1	6.75	53.1	5.84	52.6
Aviation Finance	6.82	26.5	5.32	25.2	4.11	26.1	3.53	27.8	3.00	27.0
Land Transport Finance	2.11	8.2	1.68	7.9	1.29	8.2	1.13	8.9	1.22	11.0
Investment Management	0.85	3.3	0.75	3.5	0.47	3.0	0.32	2.5	–	–
ITF Suisse	0.71	2.8	0.21	1.0	–	–	–	–	–	–
Discontinued portfolio: Transport Infrastructure	0.60	2.3	0.74	3.5	0.88	5.6	0.76	6.0	0.71	6.4
Portfolio to be phased out: D-Marketing	0.06	0.2	0.12	0.6	0.18	1.0	0.22	1.7	0.34	3.0
Total	**25.74**	**100.0**	**21.16**	**100.0**	**15.77**	**100.0**	**12.71**	**100.0**	**11.11**	**100.0**

	2008	2007	2006	2005	2004
€/US$ reference rate published by ECB (31 Dec)	1.3917	1.4721	1.3170	1.1797	1.3621

3.5.4.3 Portfolio analysis by earnings contribution

Earnings were analysed by comparing the development of the Transport Finance portfolios in the years 2007 and 2008, breaking down the portfolio into total and new commitments, and then differentiating data further by key ratios and indicators.

The portfolio development clearly underlines the success enjoyed by DVB in the Transport Finance business: the volume of new business rose strongly. Increasingly, the Bank is taking a leading role, while interest margins and LtV ratios continue to develop favourably.

New business:

Despite a challenging environment, DVB generated a significant amount of long-term, collateralised ***new business***: Aviation Finance contributed €2.19 billion (+51.4%), and Land Transport Finance €0.58 billion (+35.5%). New business in Shipping Finance contracted by 21.1%, from €5.1 billion to €4.0 billion.

In Transport Finance, DVB continued to play a ***leading role*** frequently – the share of transactions led by the Bank in the overall portfolio was 68.3%. The leading role share of new commitments was 69.2%.

The ***average interest margin*** of 186 bp for new business was clearly higher than in the previous year (136 bp). Interest margins widened significantly in all Transport Finance divisions: up 43 bp to 180 bp in Shipping Finance, up 55 bp to 214 bp in Aviation Finance, and up 65 bp to 179 bp in Land Transport Finance.

Total portfolio:

The ***average LtV*** ratio of the individual Transport Finance segments indicates the relation between loans granted and the market value of the financed assets. Two Transport Finance portfolios showed another improvement in 2008, with falling LtV ratios:

- Aviation Finance posted a decline by 4.5 pp to 71.9%, and the LtV in Land Transport Finance improved by 6.5 pp, to 75.0%.
- In contrast, the average LtV ratio in Shipping Finance increased from 60.1% to 64.4%, causing a slight increase in the ratio for the overall portfolio, which was up by one percentage point to 67.5%.

CIR in Aviation Finance rose to 19.1% (up 2.2 pp), whilst it declined to 22.7% in Shipping Finance (down 0.7 pp), to 18.9% in Land Transport Finance (down by a marked 5.7%), and to 26.3% in Investment Management (down 3.0 pp).

RoE in Land Transport Finance posted an impressive 25.9 pp increase, to 35.9%. In Shipping Finance, RoE increased by 2.1 pp to 44.8% (2007: 42.7%). RoE in Aviation Finance decreased by 3.0 pp, to 46.4% (2007: 49.4%).

It should be noted that RoE and CIR are determined excluding overheads; hence, they are not comparable to the ratio for the entire Bank.

Portfolio analysis by earnings contribution (€ mn)

	Shipping Finance		Aviation Finance		Land Transport Finance		Investment Management		ITF Suisse		Total		
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	Change %
Overall portfolio													
Customer lending	10,484.4	8,383.7	4,902.5	3,615.1	1,513.0	1,142.4	609.4	510.1	510.9	142.0	18,020.2	13,793.3	30.6
Loans and advances to customers	7,491.7	5,663.2	4,100.9	3,050.3	1,397.3	955.7	489.3	228.2	372.8	56.1	13,852.0	9,953.5	39.2
Loan commitments, guarantees and indemnities	2,992.7	2,720.5	801.6	564.8	115.7	186.7	120.1	281.9	138.1	85.9	4,168.2	3,839.8	8.6
Number of customers (primary obligor groups)	286	273	130	128	68	72	29	–	22	6	535	479	11.7
Leading role (%)	70.3	68.0	75.0	68.0	62.1	71.0	74.9	100.0	0.0	0.0	68.3	69.4	–1.1 pp
Average LtV ratio (%)	64.4	60.1	71.9	76.4	75.0	81.5	n. a.	n. a.	66.7	52.3	67.5	66.5	1.0 pp
CIR (%) [1]	22.7	23.4	19.1	16.9	18.9	24.6	26.3	29.3	49.1	–	57.4	51.2	6.2 pp
RoE (%) [2]	44.8	42.7	46.4	49.4	35.9	10.0	22.4	20.5	50.0	–	13.1	20.4	–7.3 pp
Portfolio New commitments													
Number of new transactions	122	174	48	54	19	22	25	–	15	6	229	256	–10.5
Underwritten	4,003.5	5,076.0	2,192.6	1,448.3	577.5	426.2	200.4	–	392.6	142.0	7,366.6	7,092.5	3.9
Syndicated to third parties	289.0	587.5	146.6	10.9	26.9	0.0	0.0	–	0.0	0.0	462.6	598.4	–22.7
Final take	3,714.4	4,488.5	2,046.0	1,437.4	550.6	426.2	200.4	–	392.6	142.0	6,904.0	6,494.1	6.3
Leading role (%)	71.2	67.0	79.3	67.0	53.9	65.0	100.0	–	0.0	0.0	69.2	67.0	2.2 pp
Average margin (bp)	180	137	214	159	179	114	176	–	115	90	186	136	50

1) Computed in accordance with IRFS – excluding overhead expenses and before allowance for credit losses
2) Computed in accordance with IRFS – excluding overhead expenses and after allowance for credit losses, and before taxes

3.6 Other disclosures

- **Disclosure pursuant to section 315 (2) no. 4 of the HGB**
  The structure of the *remuneration of the Board of Managing Directors* of DVB Bank SE is based on the Internal Regulations for the Executive Committee of the Supervisory Board, which were adopted by the Supervisory Board. Accordingly, the overall remuneration of the Board of Managing Directors is composed of a fixed component of 50.7% and a variable component of 49.3%. The variable component consists of a traditional bonus element.

  Remuneration expenses for the Board of Managing Directors totalled €2.63 million (2007: €2.21 million). The fixed component of the remuneration of DVB Bank SE's Board of Managing Directors totalled €1,330,183.16 in 2008 (2007: €1,220,936.82). Bonuses totalled €1,295,250.00 (2007: €990,750.00).

  Total remuneration expenses paid by DVB Bank SE for members of the *Supervisory Board* amounted to €260,002.79. This amount consists of three components:

  - The members of the Supervisory Board received annual remuneration (including taxes) of €190,372.09, pursuant to section 19 (1) of the Memorandum and Articles of Association.
  - DVB paid taxes to the responsible tax office for foreign members of the Supervisory Board in the amount of €29,967.92.
  - The members of the Credit Committee received additional remuneration (including taxes) of €39,662.78, pursuant to section 19 (2) of the Memorandum and Articles of Association.

Please also refer to the information provided in the notes, on pages 231-234 of this Annual Report.

- **Disclosure pursuant to section 315 (3) of the HGB:**
  At the end of 2007, the *number of active staff members* of DVB Group was 481; by the end of 2008, the number of staff had risen to 546, up 13.5%. These employee figures do not include any employees that were not actively working, such as those in the non-working phase of their partial retirement, on maternity or parental leave.

Employees	**2008**	**%**	2007	%
Transport Finance/ Investment Management	355	65	307	64
Service units	182	33	159	33
Treasury	9	2	8	2
D-Marketing	0	0	7	1
Total	**546**	**100**	**481**	**100**

The number of active employees in Transport Finance/Investment Management increased by 48 to 355 persons (+15.6%); whilst the number of staff employed in the central Group functions and service units rose to 191 (2007: 174).

Nationalities of employees in 2008	in Transport Finance	%	in DVB Group	%
German	44	13	160	29
Dutch	60	17	78	14
British	100	28	124	23
Norwegian	29	8	31	6
US-American	22	6	27	5
Singaporian	22	6	29	5
Greek	15	4	16	3
Other nationalities	63	18	81	15
Total	**355**	**100**	**546**	**100**

As in the previous years, most of the new staff members are employed in one of our international locations; in other words, they are active in those international transport markets where the Bank's clients are located. The number of active employees in Germany (Frankfurt/Main and Hamburg) was virtually unchanged during 2008, at 160 compared with 164 the year before.

The number of active employees at international locations increased to 386 as at 31 December 2008 (up 21.8% from the previous year's figure of 317). DVB Group employed people from 29 different nations.

Staff fluctuation due to voluntary resignations amounted to 5%.

- **Disclosure pursuant to section 315 (4) No. 1 of the HGB:**
The subscribed capital exclusively comprises ordinary bearer shares; specifically, 46,467,370 notional no-par value shares (Stückaktien), as at 31 December 2008. Please refer to sections 54 et. seq. of the AktG regarding the rights and duties attached to such shares.

- **Disclosure pursuant to section 315 (4) No. 3 of the HGB:**
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main, directly holds a 95.44% stake in DVB Bank SE's issued share capital.

- **Disclosure pursuant to section 315 (4) No. 6 of the HGB:**
Please refer to sections 84 and 85 of the AktG and Article 7 (3) of the Bank's Memorandum and Articles of Association regarding the appointment and removal of Members of the Board of Managing Directors. Pursuant to sections 133 and 179 of the AktG, amendments to the Memorandum and Articles of Association of DVB Bank SE are resolved by the General Meeting.

- **Disclosure pursuant to section 315 (4) No. 7 of the HGB:**
  Pursuant to section 4 (2) of the Memorandum and Articles of Association ("Authorised Capital 2006"), the Board of Managing Directors is authorised to increase the share capital by up to €13,025,109.54 million. Pursuant to section 4 (3) of the Memorandum and Articles of Association ("Authorised Capital 2008"), the Board of Managing Directors is authorised to increase, on one or more occasions, the Bank's share capital by a maximum total amount of €35 million via issuance of new no-par value bearer shares for contribution in cash, subject to the approval of the Supervisory Board; this authority will expire on 10 June 2013. Furthermore, in accordance with section 71 (1) No. 7 of the AktG and by virtue of a resolution passed by the Annual General Meeting on 11 June 2008, DVB Bank SE is authorised to purchase and sell its own shares (treasury shares) for the purpose of securities trading. This authorisation will expire on 30 November 2009.

The provisions of sections 315 (2) no. 3 and section 315 (4) nos. 2, 4, 5, 8 and 9 of the HGB are not applicable to DVB.

3.7 DVB's ratings

DVB Bank SE's ratings were unchanged throughout 2008, at A/A-1/stable (Standard & Poor's) and A1/P-1/C/stable (Moody's Investors Service).

In January 2009, S&P changed its outlook for DVB Bank SE from "stable" to "negative". Please refer to the "Report on material events after the reporting date" for more details.

DVB's ratings

2004	2005	January 2006	August 2006	December 2006	May 2007	January 2009	
							Moody's Investors Service
A3/P-2	A3/P-2	A2/P-1	A2/P-1	A2/P-1	A1/P-1	A1/P-1	Debt and deposit ratings
C-	C-	C-	C-	C-	C	C	Financial strength
stable	stable	stable	stable	stable	stable	stable	Outlook
							Standard & Poor's
BBB+	A-	A-	A-	A	A	A	Long-term issuer credit rating
A-2	A-2	A-2	A-2	A-1	A-1	A-1	Short-term issuer credit rating
stable	stable	stable	positive	stable	stable	negative	Outlook

4. Report on material events after the reporting date

in accordance with section 315 (2) No. 1 of the HGB
(as at 19 March 2009)

On 30 January 2009, Standard & Poor's changed the rating outlook for DVB from "stable" to "negative", keeping the long-term and short-term ratings unchanged, at A and A-1, respectively. The outlook revision reflected concerns about very difficult transport markets, particularly in maritime shipping, which Standard & Poor's considered likely to depress DVB's performance over the longer term.

In February 2009, DVB joined its Investment Management teams covering the shipping, intermodal and rail transport sectors to form a new unit called "Shipping and Intermodal Investment Management" (SIIM). The new structure permits the Bank to develop and implement customised investment solutions even faster and in a more targeted manner. SIIM also launched the DVB Invest Opportunity Fund, which specialises in anti-cyclical investments and is aimed at exploiting market opportunities in the shipping and offshore sectors. DVB's Investment Management business thus comprises SIIM and the team of experts managing investments in the Deucalion Aviation Funds.

On 6 February 2009, DVB Holding GmbH, Frankfurt/Main (a wholly-owned subsidiary of DVB Bank SE) and CLOU Container GmbH, Hamburg, established Capital Equipment Management Holding GmbH, a joint venture based in Hamburg, with retrospective effect from 1 January 2009. The partners hold equal stakes in the joint venture. The purpose of the new company is to establish an equipment trading platform for intermodal equipment, such as container boxes, loading equipment, heavy goods vehicles, trailers, chassis etc.

The Board of Managing Directors and Supervisory Board will propose to DVB Bank SE's Annual General Meeting, which will be held on 10 June 2009, to pay an increased dividend of €0.60 per notional no-par value share for the 2008 business year (2007: €0.50 per share, taking into account the share split carried out in August 2008).

There were no other issues of material importance to the assessment of the results of operations, net assets and financial position of DVB Bank SE and DVB Group after the end of the 2008 business year. Statements made in the Report on expected developments have been confirmed by the development of business in the first months of the 2009 business year.

5. Report on opportunities and risks

in accordance with section 315 (2) no. 2 a and b of the HGB
(as at 19 March 2009)

Abbreviations report on opportunities and risks

AktG	*German Public Limited Companies Act (Aktiengesetz)*
ALCO	*Asset Liability Committee*
DZ BANK	*DZ BANK AG Deutsche Zentral-Genossenschaftsbank Frankfurt/Main*
GRM	*Group Risk Management*
IFRS	*International Financial Reporting Standards*
KWG	*German Banking Act (Kreditwesengesetz)*
LIBOR	*London Interbank Offered Rate*
LtV	*Loan-to-value ratio*
OASIS	*Object Finance Administration and Security Information System*
OpRisk	*Operational risk*
pp	*Percentage points*
VaR	*Value at risk*
VaR Cdty	*Commodity risk*
VaR FX	*Foreign exchange risk*
VaR IR	*Interest rate risk*

In addition to disclosures required under applicable provisions of the German Commercial Code (HGB), the report on opportunities and risks contains the qualitative and quantitative risk disclosures as required under IFRS 7, including allowance for credit losses, and parts of regulatory risk reporting pursuant to sections 319 to 337 of the German Solvency Ordinance (SolvV). Contractual maturities are analysed in the notes to the consolidated financial statements.

5.1 Principles of risk management

Assuming risks in a professional manner – achieving returns that are commensurate with the risks taken – is an integral part of DVB's management strategy as an international asset lender. The objective is to achieve a return on economic capital invested that is commensurate with the risk exposure. The risk management process encompasses all DVB Group entities.

The concept of "risks" is generally defined as unfavourable future developments that can negatively affect the Bank's income, financial situation and liquidity. In this context, DVB differentiates between credit risk, operational risk, market price risk, strategic risk, as well as liquidity and equity investment risk.

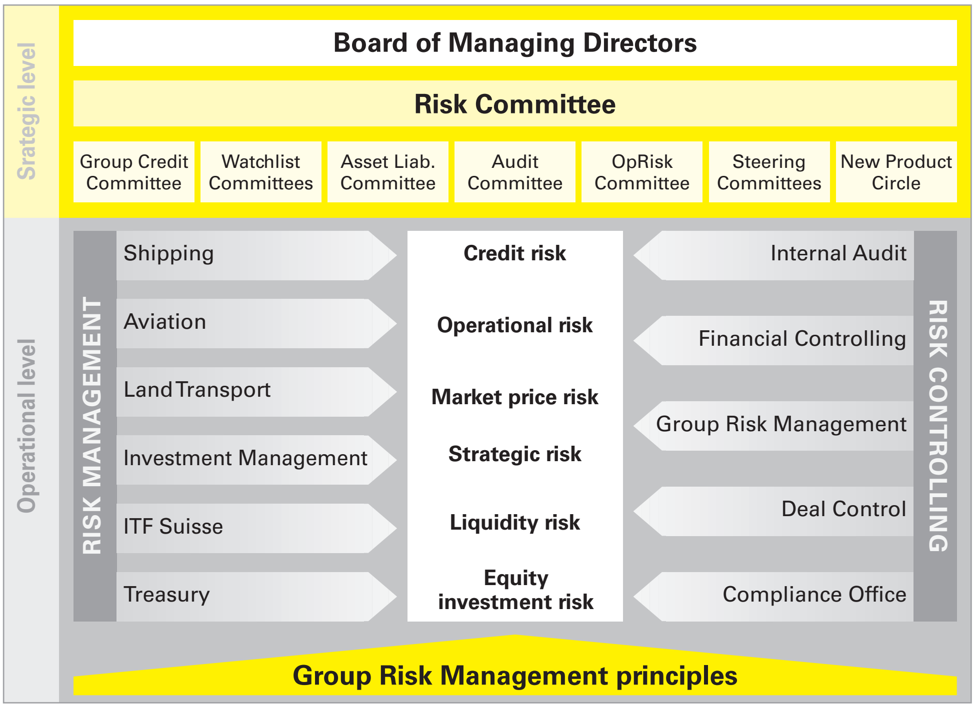
The risk policy guidelines and structures for the professional management of these risks are laid down in the Risk Management Framework, which forms the basis for uniform administration and communication of all material types of risk throughout the Group.

The areas of responsibility within the framework of the risk management process are clearly regulated. Responsibility for the proper implementation, organisation and effectiveness of the Group-wide risk management system lies with the entire Board of Managing Directors of DVB Bank SE, as the parent company of DVB Group. Based on the Group's ability to carry and sustain risks, the Board of Managing Directors decides on the risk strategy, including the applicable methodology and procedures used for measuring, managing and monitoring risk.

5.2 Organisation of the risk management process

DVB operates a Group-wide risk management system, which complies with all statutory (section 25 a (1) of the KWG; section 91 (2) of the AktG) and regulatory requirements (Minimum Requirements for Risk Management in Banks; "MaRisk"). This risk management system comprises adequate provisions and measures with respect to risk strategy, risk-bearing capacity, risk management and risk monitoring, plus a framework for the early detection of risks. In addition to the structural and procedural organisation, these also apply to the processes for identifying, assessing, managing, monitoring and communicating the risks.

The chart below illustrates the functional separation of DVB's risk management (in the narrower sense) and risk control processes.



DVB's (narrowly-defined) *risk management* system distinguishes between operative and strategic risk management. Operative risk management is defined as the implementation of the risk strategy by the various business divisions, as prescribed by the Board of Managing Directors. In addition to defining risk policy guidelines, strategic risk management also encompasses the coordination and support of operative risk management processes by cross-divisional committees.

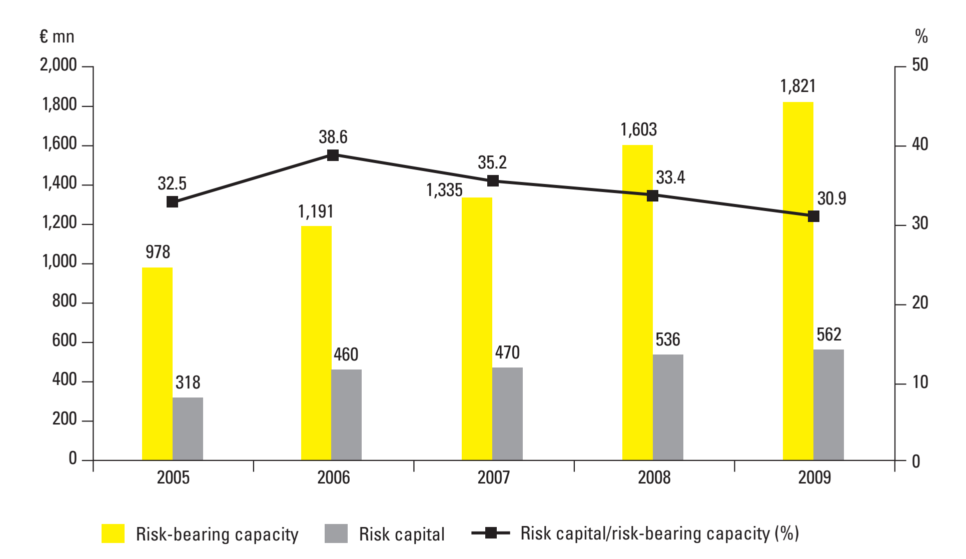
The *risk control function* – which is independent from risk management in the narrower sense – comprises the identification, quantification, limitation and monitoring of risks, plus risk reporting. The GRM Risk Report is the main tool used for the quarterly reporting of Group risks to the entire Board of Managing Directors and the Supervisory Board. Furthermore, reporting systems have been installed for all relevant types of risk. This ensures that the risks are transparent at all times to the authorised persons with responsibility for those risks.

5.3 Capacity to carry and sustain risk/risk capital

DVB's economic risk-bearing potential is determined on an annual basis within the scope of the analysis of the Bank's risk-bearing capacity. DVB has calculated its aggregate risk cover on the basis of its consolidated financial statements in accordance with IFRS for the first time in 2009. In addition to components eligible for inclusion as regulatory capital, the aggregate risk cover includes DVB's undisclosed reserves that can be realised at short notice and the sustainable net profit for a given business year. Hence, the capital elements used to determine aggregate risk cover go beyond those recognised for regulatory purposes.

DVB's risk-bearing potential has developed as follows during the last five years:

Risk-bearing potential



The increase in aggregate risk cover for 2009 was mainly due to the retention of profit in the financial statements 2008, and to a capital increase carried out in 2008.

At the end of each business year, the Board of Managing Directors approves the risk capital budget for the next business year. Risk capital has to cover all risks, and is defined as the economic capital or total loss limit that the Bank is willing to use to cover high and unexpected losses from all types of risk over one year. Risk capital must be sufficiently high to cover aggregate unexpected ("worst-case") losses with a probability of 99.95%.

The risk capital for 2009 was set at a level of €562 million (2008: €536 million), taking into account correlation effects. Risk capital is distributed across individual types of risk as follows:

€ mn	2009 Risk capital limit	2008 Risk capital limit	2008 Limit utilisation (as at year end)	2008 Average utilisation
Credit risk	425	400	370	356
Market price risk	126	124	118	96
Operational risk	40	40	38	38
Strategic risk	41	40	37	37
Correlation effects	–70	–68	–65	–61
Total	**562**	**536**	**498**	**466**

The risk capital limit for market price risks had to be increased during 2008 due to the very volatile development of the euro/US dollar exchange rate. As the credit risk limit was reduced in parallel, the overall risk limit remained unchanged.

This additional increase in the risk capital limit allocated for market price risks does not reflect any planned expansion in the underlying business activities, but is solely attributable to the current market situation (in particular, to volatility in euro/US dollar exchange rate).

When determining the level of risk capital, GRM considers correlation effects, deduced from empirical market data, among the various types of risk and between credit risks from the main credit portfolios. GRM also uses additional stress tests in determining risk capital levels, to safeguard the continued existence of DVB Group even in an extremely unfavourable market environment. The primary stress scenario involves applying haircuts to collateral values, the highest default rates observed for each rating grade since 2001, plus a significant change in the euro/US dollar exchange rate. A secondary stress scenario incorporates the additional assumption of a one-notch rating downgrade of all parties involved, as well as rising euro and US dollar interest rates. The allocated risk capital would have been sufficient to cover expected stress losses in both scenarios. Also, DVB's aggregate risk cover clearly exceeded expected and unexpected losses under both stress scenarios.

Group Risk Management uses internal models to measure credit and market risks. A basic indicator approach in accordance with Basel II is used to estimate potential loss exposure associated with operational risk, whilst the strategic loss exposure is determined using a best-practice approach.

Although liquidity risk is also monitored and checked continuously, it is not managed through risk capital, but by means of other management tools, such as plans for liquidity flows, cash flow forecasts and stress scenarios.

5.4 Types of risk

DVB distinguishes between the following types of risk:

5.4.1 Credit risk

DVB defines credit risk, which comprises default, issuer, counterparty and country risks, as potential losses arising from an unexpected default or deterioration in its counter-parties' credit quality. Given the focus and structure of DVB's business, credit risk represents the largest individual risk category.

With respect to individual transactions and clients, credit risk is managed and limited by setting a corresponding limit on the basis of cautious lending principles and sector-specific lending policies. These specify in particular that each transaction must be collateralised by valuable assets (aircraft, ships, etc.). At a portfolio level, GRM allocates the volume of risk capital approved by the Board of Managing Directors to the various business divisions.

Determining and managing country risks are crucial in view of the international emphasis of DVB's asset lending business. Hence DVB plans and limits country risks within the scope of its overall management, and in accordance with the annual country limit planning system of DZ BANK Group.

5.4.1.1 Internal rating model (IRM)

Given the dominant position of credit risk in DVB's business, Group Risk Management has developed an internal statistical and mathematical rating model (IRM) for the Bank's Transport Finance portfolios. The model complies with the Advanced Approach requirements under Basel II. In addition to the probability of default ("PD") associated with a given client, GRM determines the expected loss given default ("LGD") for the unsecured portion of a loan and the anticipated extent of the claim at the time of default (exposure at default, "EAD"). The Advanced Approach includes the various kinds of collateral (such as mortgages on aircraft or ships, or indemnities). The Bank can establish the anticipated realisation proceeds by means of its own data history.

The counterparty rating is based on a multi-level statistical system, developed from a database of externally-rated companies for which all relevant balance sheet data was available. Assigning the internal rating to the external rating classes enables the Bank to use external default probabilities.

The assessment of the future collateral value of financed assets is fundamental to determining the potentially impaired proportion of a specific lending exposure (the LGD) in DVB's collateralised lending business. The method used for this purpose determines the future collateral value of an asset on the basis of simulation calculations. In addition to external valuations (expert opinions) and market data, DVB also leverages the expertise of its in-house market specialists in assessing specific collateral.

Since January 2008, GRM has been using the Advanced Approach to calculate the capital adequacy requirements for more than 80% of DVB Group's aggregate risk-weighted assets, with implementation for the remaining smaller credit portfolios scheduled by the end of 2009.

To ensure model adequacy, DVB conducts an annual review to validate the risk parameters PD and LGD both quantitatively and qualitatively. Given the current economic environment, GRM decided to re-calibrate the asset valuation model at the end of 2008. Depending upon future developments in international transport markets, further adjustments of model parameters may become necessary within the scope of validation and calibration processes.

The Bank's intention within the scope of implementing the Basel II framework has always been to use the IRM for calculating the regulatory capital requirements as well as implementing the results for the overall management of the Group. For example, the results of the ratings will be taken into consideration in regulating responsibilities; unexpected and expected loss are included in the integrated risk limiting system via the concept for managing the Bank's capability to carry and sustain risk; and the standard risk costs, which are also calculated using the model, are an integral part of the estimate with respect to individual transactions for calculating the minimum margin.

5.4.1.2 Portfolio management and control

DVB has organised its portfolio management and control processes on two levels. Group Risk Management is responsible for developing and implementing portfolio management tools and methodology, and for preparing various analyses of the Group's overall portfolio (reporting pursuant to the requirements of MaRisk). On a divisional level, the Transport Finance segments are responsible for analysing and managing their respective portfolios within the framework set by the Board of Managing Directors, and with a view to mitigating risk by way of diversification. DVB Research provides valuable support in this process.

The proprietary database application OASIS is a state-of-the-art management information system used for the analysis and management of the Group's loan portfolios. In addition to compiling all quantitative and qualitative data covering every Transport Finance exposure, OASIS also captures the legal and economic risk structure details: it thus provides GRM with all the data required to manage the portfolio. Moreover, the database represents the core source of information for the IRM. Data entry is subject to the principle of dual control throughout the system. Because it is integrated into the loan approval and administration processes, OASIS also helps to minimise operational risks.

5.4.1.3 Structural analysis of the credit portfolio

In line with DVB's internal management processes, lending volumes are broken down by nature of transaction exposed to credit risk: traditional lending, securities business, derivatives and money market business. The classification of instruments exposed to credit risk is in line with the structure of external reporting on the risk exposure from financial instruments. The quantitative details disclosed below for the overall credit portfolio are based on DVB's maximum credit risk exposure (gross lending volume). Gross lending volumes correspond to the nominal amount of loans and undrawn commitments, and to market values of banking book investment securities and derivatives. The maximum credit risk amount includes all credit facilities committed to third parties in the form of irrevocable loan commitments and financial guarantees. The following table provides an overview of credit risk concentration and maximum credit risk exposure, broken down by DVB's core business areas and by geographical region:

€ mn	Loans, commitments and other non-derivative off-balance sheet assets		Securities		Derivative financial instruments	
	31 Dec 2008	31 Dec 2007	**31 Dec 2008**	31 Dec 2007	**31 Dec 2008**	31 Dec 2007
Shipping Finance	10,361.7	8,361.5	0.0	0.0	122.7	22.2
Aviation Finance	4,900.2	3,611.8	0.8	3.3	1.5	–
Land Transport Finance	1,506.6	1,136.2	0.0	0.0	6.4	6.2
Investment Management	600.8	509.9	0.0	0.0	8.6	0.2
ITF Suisse	510.9	142.0	0.0	0.0	0.0	–
Other	1,262.2	2,559.3	74.1	110.0	648.4	219.0
Total	**19,142.4**	**16,320.7**	**74.9**	**113.3**	**787.6**	**247.6**

The "Other" item reflects the aggregate of Treasury and the D-Marketing and Transport Infrastructure portfolios, which are no longer in line with the Bank's strategy (cf. page 114 of this report for details).

€ mn	Loans, commitments and other non-derivative off-balance sheet assets		Securities		Derivative financial instruments	
	31 Dec 2008	31 Dec 2007	**31 Dec 2008**	31 Dec 2007	**31 Dec 2008**	31 Dec 2007
Europe	8,507.4	8,527.2	74.9	113.3	676.2	209.2
Asia	4,813.4	2,994.1	0.0	0.0	35.2	1.2
North America	3,936.7	2,639.8	0.0	0.0	44.6	29.4
Offshore	617.7	1,189.9	0.0	0.0	8.7	0.1
Middle East/Africa	613.9	468.8	0.0	0.0	3.9	1.1
South America	568.0	433.3	0.0	0.0	18.5	6.1
Australia/New Zealand	85.3	67.6	0.0	0.0	0.5	0.5
Total	**19,142.4**	**16,320.7**	**74.9**	**113.3**	**787.6**	**247.6**

The table below provides a breakdown of gross lending value by residual term:

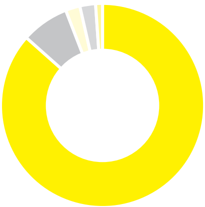
€ mn	Loans, commitments and other non-derivative off-balance sheet assets		Securities		Derivative financial instruments	
	31 Dec 2008	31 Dec 2007	**31 Dec 2008**	31 Dec 2007	**31 Dec 2008**	31 Dec 2007
within 1 year	2,954.3	3,229.8	0.8	0.0	9.2	33.5
within 1 to 5 years	5,236.5	3,960.4	64.1	100.0	169.6	88.8
after more than 5 years	10,951.6	9,130.5	10.0	13.3	608.8	125.3
Total	**19,142.4**	**16,320.7**	**74.9**	**113.3**	**787.6**	**247.6**

Taking the maximum credit risk exposure as a basis, the following section provides an overview of the structure and development of the collateralisation of DVB's Transport Finance portfolios.

The ***Shipping Finance portfolio,*** which is largely denominated in US dollars (85.2%), grew by 25.1% to €10.48 billion. The euro was volatile in 2008, losing 5.5% against the US dollar during the course of the year. Adjusting for exchange rate movements, the portfolio growth rate was therefore 20.2%.

97.3% of the portfolio is secured by mortgages on ships. Loans with a maximum LtV ratio of 60% account for a share of €9.16 billion.

Shipping Finance portfolio – LtV classes



87.4% (+3.2 pp) LtV ≤ 60%
7.6% (+0.4 pp) LtV > 60% ≤ 85%
2.3% (+1.4 pp) LtV > 85%
2.5% (–4.5 pp) other collateral
0.2% (–0.5 pp) uncollateralised

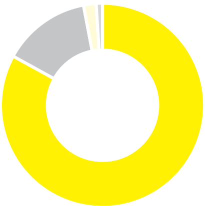
The table below illustrates the collateralisation structure of DVB's Shipping Finance portfolio:

Collateralisation (€ mn)	**31 Dec 2008**		31 Dec 2007	
Secured by mortgages	10,202.4	97.3%	7,737.7	92.3%
Other collateral	257.7	2.5%	583.2	7.0%
Uncollateralised	24.3	0.2%	62.8	0.7%
Lending volume	**10,484.4**	**100.0%**	**8,383.7**	**100.0%**

The adjacent chart provides a breakdown of exposures secured by mortgages, by LtV range. There has been a significant decline in charter rates in certain shipping sectors (such as bulkers and container carriers), which reflects the impact of the crisis affecting the global financial markets and economy and will also affect vessel values in the near future. The extent to which this will spread to other sectors remains to be seen. Impairments to the value of ships financed will inevitably have a negative effect on the adjacent LtV distribution.

The *Aviation Finance portfolio* stood at €4.90 billion at the end of 2008, up 35.6% on the previous year. As this portfolio is also predominantly in US dollars (98.4%), the currency-adjusted growth rate was higher, at 28.2%.

Aviation Finance portfolio – LtV classes



83.3% (+3.0 pp) LtV ≤ 60%
14.4% (–0.3 pp) LtV > 60% ≤ 85%
2.1% (–2.5 pp) LtV > 85%
0.2% (–0.1 pp) other collateral
0.0% (–0.1 pp) uncollateralised

The table below illustrates the collateralisation structure of DVB's Aviation Finance portfolio:

Collateralisation (€ mn)	**31 Dec 2008**		31 Dec 2007	
Secured by mortgages	4,890.6	99.8%	3,602.5	99.6%
Other collateral	10.1	0.2%	10.6	0.3%
Uncollateralised	1.8	0.0%	2.0	0.1%
Lending volume	**4,902.5**	**100.0%**	**3,615.1**	**100.0%**

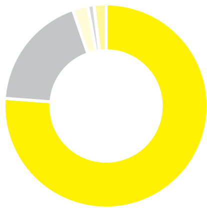
With 99.8% of the lending volume secured by mortgages on aircraft, the Aviation Finance portfolio also reflects the strict enforcement of DVB's conservative lending policy. Lending volume of €4.08 billion has an LtV ratio not exceeding 60%.

The *Land Transport Finance portfolio* once again developed very favourably in a stable market environment: the portfolio grew to €1.51 billion, up 32.4% year on year. Adjusting for exchange rate movements, the portfolio growth rate was 29.2%.

The table below illustrates the collateralisation structure of DVB's Land Transport Finance portfolio:

Collateralisation (€ mn)	**31 Dec 2008**		31 Dec 2007	
Secured by mortgages	1,468.6	97.1%	1,061.3	92.9%
Other collateral	14.9	1.0%	18.7	1.6%
Uncollateralised	29.5	1.9%	62.4	5.5%
Lending volume	**1,513.0**	**100.0%**	**1,142.4**	**100.0%**

Land Transport Finance portfolio – LtV classes



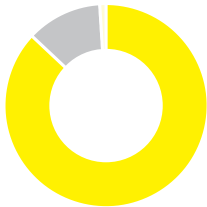
New business acquired in 2008 helped to boost the share of business secured by mortgages by 4.2 pp. A total lending volume of €1.15 billion (2007: €752 million) had an LtV ratio not exceeding 60%.

DVB integrated Loan Participations as a new product into its existing business model in mid-2007, establishing ***ITF Suisse,*** based in Zurich, for this purpose. ITF Suisse participates in non-complex transactions fulfilling strict lending policy requirements. The volume of such Transport Finance exposures increased to €510.9 million in 2008 (2007: €368.9 million).

This restrictive business approach is also clearly reflected in the collateralisation structure and LtV distribution of ITF Suisse's portfolio:

Collateralisation (€ mn)	**31 Dec 2008**		31 Dec 2007	
Secured by mortgages	510.9	100.0%	142.0	100.0%
Other collateral	0.0	0.0%	0.0	0.0%
Uncollateralised	0.0	0.0%	0.0	0.0%
Lending volume	**510.9**	**100.0%**	**142.0**	**100.0%**

ITF Suisse portfolio – LtV classes



5.4.1.4 Country risk exposure within customer lending

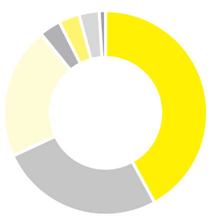
Country risk is defined as the risk that DVB suffers loan losses or other monetary losses in a particular country as a result of social/political and/or macro-economic developments or events. This comprises risk traditionally associated with the concept of country risk (conversion and transfer risk, payment freeze or moratorium), plus political and economic policy risks.

The Bank mitigates more serious country risk exposure by applying a commensurate transaction structure (for example, by a combination of measures such as collateralisation, use of offshore accounts, maintaining cash flows in fully-convertible currencies, political risk insurance cover, etc.).

The breakdown of country risks in DVB's portfolio was largely unchanged compared to 2007. DVB's Transport Finance exposure continues to be concentrated in Europe, North America and Asia. Country risks are managed and limits are applied on the basis of net country risk exposure, deducting 60% of the market value of assets eligible for inclusion.

Net country risk exposure was again lower compared to the previous year. Furthermore, net country risk for emerging markets amounted to just 0.2% of the overall Transport Finance portfolio.

Country risks in the portfolio



Europe	42.4%	(–4.9 pp)
Asia	26.2%	(+5.4 pp)
North America	21.0%	(+4.2 pp)
Offshore	3.4%	(–4.9 pp)
Middle East/Africa	3.3%	(0.0 pp)
South America	3.2%	(+0.2 pp)
Australia/New Zealand	0.5%	(0.0 pp)

5.4.1.5 Continued reduction of loan exposures that are no longer in line with the strategy

In accordance with the strategic decision taken by the Board of Managing Directors, the *Transport Infrastructure portfolio* – which is no longer in line with the Bank's strategy – was reduced by 14.7% during the financial year under review to €428.3 million.

Collateral for all of DVB's infrastructure finance projects includes an assignment of operating concessions. Allowance for credit losses for this portfolio was reduced by €0.1 million in 2008 (there were no additions, €0.1 million was released). Valuation allowances amounted to €0.9 million, so that the aggregate allowance for credit losses for this portfolio stood at €7.6 million at year-end.

Lending exposures bundled in the D-Marketing unit, which also no longer meet DVB's strategic requirements, were once again reduced by a significant margin, down 42.7% from €80.2 million to €45.9 million at the end of 2008. Allowance for credit losses for this portfolio was reduced by €1.9 million in 2008 (additions amounted to €1.1 million, €3.0 million was released). Valuation allowances amounted to €13.9 million, so that the aggregate allowance for credit losses for this portfolio stood at €9.0 million at year-end. DVB continues to expect the total allowance for credit losses for this part of its portfolio to be adequate.

5.4.1.6 Early warning system, problem loans, allowance for credit losses

DVB uses a diversified set of tools for the early recognition, monitoring and management of sub-performing or non-performing loans. Watchlist procedures ensure that these loans are identified at an early stage and that such exposures are included in a watchlist for intensified handling. During regular meetings of the Watchlist Committees, chaired by the member of the Board of Managing Directors responsible for risk management, decisions are taken regarding risk mitigation strategies and measures, as well as concerning any valuation allowances required.

Non-performing loans (NPL) in DVB Group amounted to an aggregate nominal value of €123.2 million at the end of 2008 (2007: €65.1 million). This equates to an NPL ratio of 0.6% (2007: 0.4%) in relation to total lending volume. The volume of NPLs is offset by collateral with a market value of €84.2 million (2007: €33.3 million) and covered by adequate valuation allowances.

The collateralisation details disclosed below are based on market values, with appropriate haircuts having been applied.

The following tables indicate the ***non-impaired, non-overdue lending volume*** as a portion of the overall portfolio, broken down by business division and geographical region:

€ mn	Total portfolio		Non-impaired, non-overdue portfolio	
	2008	2007	**2008**	2007
Shipping Finance	10,484.4	8,383.7	9,951.8	8,261.0
Aviation Finance	4,902.5	3,615.1	4,589.3	3,471.4
Land Transport Finance	1,513.0	1,142.4	1,513.0	1,102.1
Investment Management	609.4	510.1	609.4	510.1
ITF Suisse	510.9	142.0	510.9	142.0
Other	1,984.7	2,888.2	1,955.5	2,815.1
Total	**20,004.9**	**16,681.5**	**19,129.9**	**16,301.7**

€ mn	Total portfolio		Non-impaired, non-overdue portfolio	
	2008	2007	**2008**	2007
Europe	9,258.5	8,849.6	8,686.5	8,555.0
Asia	4,848.6	2,995.3	4,735.8	2,995.3
North America	3,981.3	2,669.2	3,889.5	2,588.9
Offshore	626.4	1,190.0	579.5	1,190.0
Middle East/Africa	617.9	470.0	571.5	470.0
South America	586.5	439.4	581.4	434.5
Australia/New Zealand	85.7	68.0	85.7	68.0
Total	**20,004.9**	**16,681.5**	**19,129.9**	**16,301.7**

The portfolio is dominated by lending volume with impeccable credit quality, at 95.6% (2007: 97.7%).

The two following tables indicate ***overdue exposures for which no individual impairment has been recognised, together with the value of related collateral,*** by business division:

2008 (€ mn)	Past due, non-impaired lending volume				Fair Value of collateral for overdue, non-impaired lending volume
	Up to 30 days past due	Over 30, up to 60 days past due	Over 60, up to 90 days past due	More than 90 days past due	
Shipping Finance	154.4	64.9	–	–	194.9
Aviation Finance	132.8	41.8	17.2	–	171.1
Land Transport Finance	–	–	–	–	–
Investment Management	–	–	–	–	–
ITF Suisse	–	–	–	–	–
Other	0.2	–	–	–	0.2
Total	**287.4**	**106.7**	**17.2**	**–**	**366.2**

2007 (€ mn)	Past due, non-impaired lending volume				Fair Value of collateral for overdue, non-impaired lending volume
	Up to 30 days past due	Over 30, up to 60 days past due	Over 60, up to 90 days past due	More than 90 days past due	
Shipping Finance	–	–	–	–	–
Aviation Finance	21.5	–	–	0.2	15.7
Land Transport Finance	34.0	–	–	–	12.7
Investment Management	–	–	–	–	–
ITF Suisse	–	–	–	–	–
Other	–	–	–	–	–
Total	**55.5**	**–**	**–**	**0.2**	**28.4**

The two following tables indicate ***overdue exposures for which no individual impairment has been recognised, together with the value of related collateral,*** by geographical region:

2008 (€ mn)	Past due, non-impaired lending volume				Fair Value of collateral for overdue, non-impaired lending volume
	Up to 30 days past due	Over 30, up to 60 days past due	Over 60, up to 90 days past due	More than 90 days past due	
Asia	112.8	–	–	–	101.9
Australia/New Zealand	–	–	–	–	–
Europe	166.3	59.8	17.2	–	213.1
Middle East/Africa	8.3	–	–	–	4.3
South America	–	–	–	–	–
North America	–	–	–	–	–
Offshore	–	46.9	–	–	46.9
Total	**287.4**	**106.7**	**17.2**	**–**	**366.2**

2007 (€ mn)	Past due, non-impaired lending volume				Fair Value of collateral for overdue, non-impaired lending volume
	Up to 30 days past due	Over 30, up to 60 days past due	Over 60, up to 90 days past due	More than 90 days past due	
Asia	–	–	–	–	–
Australia/New Zealand	–	–	–	–	–
Europe	55.5	–	–	0.2	28.4
Middle East/Africa	–	–	–	–	–
South America	–	–	–	–	–
North America	–	–	–	–	–
Offshore	–	–	–	–	–
Total	**55.5**	**–**	**–**	**0.2**	**28.4**

88.8% of interest and principal payments on past due, non-impaired lending volume which were overdue by up to 30 days on 31 December 2008 have subsequently been made.

The volume of renegotiated exposures as defined in IFRS 7 (defined as assets that would otherwise be past due or impaired, but whose terms have been renegotiated) was immaterial during the year under review.

The two following tables indicate the ***lending volume for which individual impairments have been recognised, together with related collateral,*** by business division:

2008 (€ mn)	Amount before impairment	Amount of individually assessed impairment	Amount after impairment	Fair Value of collateral for impaired exposures
Shipping Finance	313.4	38.5	274.9	253.1
Aviation Finance	121.4	45.2	76.2	50.6
Land Transport Finance	–	–	–	–
Investment Management	–	–	–	–
ITF Suisse	–	–	–	–
Other	29.0	16.6	12.4	5.6
Total	**463.8**	**100.3**	**363.5**	**309.3**

2007 (€ mn)	Amount before impairment	Amount of individually assessed impairment	Amount after impairment	Fair Value of collateral for impaired exposures
Shipping Finance	122.7	19.8	102.9	101.3
Aviation Finance	122.0	48.2	73.8	53.5
Land Transport Finance	6.2	3.5	2.7	–
Investment Management	–	–	–	–
ITF Suisse	–	–	–	–
Other	73.2	33.8	39.4	37.3
Total	**324.1**	**105.3**	**218.8**	**192.1**

The two following tables indicate the *lending volume for which individual impairments have been recognised, together with related collateral,* by geographical region:

2008 (€ mn)	Amount before impairment	Amount of individually assessed impairment	Amount after impairment	Fair Value of collateral for impaired exposures
Asia	–	–	–	–
Australia/New Zealand	–	–	–	–
Europe	328.8	57.7	271.1	255.1
Middle East/Africa	38.1	5.8	32.3	20.2
South America	5.1	5.1	0.0	–
North America	91.8	31.7	60.1	34.0
Offshore	–	–	–	–
Total	**463.8**	**100.3**	**363.5**	**309.3**

2007 (€ mn)	Amount before impairment	Amount of individually assessed impairment	Amount after impairment	Fair Value of collateral for impaired exposures
Asia	–	–	–	–
Australia/New Zealand	–	–	–	–
Europe	238.9	68.4	170.5	155.8
Middle East/Africa	–	–	–	–
South America	4.9	4.9	0.0	4.9
North America	80.3	32.0	48.3	31.4
Offshore	–	–	–	–
Total	**324.1**	**105.3**	**218.8**	**192.1**

85.1% (2007: 87.8%) of the impaired portfolio (based on the amount after impairment) is duly collateralised.

No *collateral acquired* within the scope of restructuring was held on the reporting date (2007: €2.3 million).

The following tables illustrate the development of the *allowance for credit losses,* by business division:

2008 (€ mn)	1 Jan 2008	Additions	Utilisation	Reversals	Changes resulting from exchange rate fluctuations, and other adjustments	**Net amount at 31 Dec 2008**	Direct write-offs	Recoveries on loans and advances previously written off
Shipping Finance	19.8	31.9	4.2	8.0	–0.9	38.5	0.1	–
Aviation Finance	48.2	10.7	2.1	12.5	0.9	45.2	0.5	0.2
Land Transport Finance	3.5	0.0	0.0	3.5	0.0	0.0	–	–
Investment Management	0.0	0.0	0.0	0.0	0.0	0.0	–	–
ITF Suisse	0.0	0.0	0.0	0.0	0.0	0.0	–	–
Other	33.8	1.2	15.5	3.2	0.3	16.6	0.2	0.7
Total individual impairments	**105.3**	**43.8**	**21.8**	**27.2**	**0.3**	**100.3**	**0.8**	**0.9**
Shipping Finance	0.0	0.4	0.0	0.0	0.0	0.4		
Aviation Finance	3.7	0.6	0.0	0.0	0.0	4.3		
Land Transport Finance	0.2	0.3	0.0	0.0	0.0	0.5		
Other	4.1	0.1	0.0	2.0	0.0	2.2		
Total portfolio impairments	**8.0**	**1.4**	**0.0**	**2.0**	**0.0**	**7.4**		
Total impairments	**113.3**	**45.2**	**21.8**	**29.2**	**0.3**	**107.7**		

2007 (€ mn)	1 Jan 2007	Additions	Utilisation	Reversals	Changes resulting from ex-change rate fluctuations, and other adjustments	**Net amount at 31 Dec 2007**	Direct write-offs	Recoveries on loans and advances previously written off
Shipping Finance	12.1	9.8	0.0	1.5	–0.6	19.8	0.0	0.0
Aviation Finance	57.1	16.7	5.9	14.3	–5.4	48.2	0.7	0.0
Land Transport Finance	2.0	3.5	1.6	0.5	0.1	3.5	0.0	0.0
Investment Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ITF Suisse	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	52.5	9.7	24.3	4.0	–0.1	33.8	0.3	0.1
Total individual impairments	**123.7**	**39.7**	**31.8**	**20.3**	**–6.0**	**105.3**	**1.0**	**0.1**
Shipping Finance	0.0	0.0	0.0	0.0	0.0	0.0		
Aviation Finance	2.8	0.9	0.0	0.0	0.0	3.7		
Land Transport Finance	0.0	0.3	0.0	0.1	0.0	0.2		
Other	4.2	0.0	0.0	0.1	0.0	4.1		
Total portfolio impairments	**7.0**	**1.2**	**0.0**	**0.2**	**0.0**	**8.0**		
Total impairments	**130.7**	**40.9**	**31.8**	**20.5**	**–6.0**	**113.3**		

The “Other” item predominantly reflects the aggregate allowance for credit losses in the D-Marketing and Transport Infrastructure portfolios, which are no longer in line with the Bank’s strategy (cf. page 114 of this report for details).

The following tables illustrate the development of the *allowance for credit losses,* by geographical region:

2008 (€ mn)	1 Jan 2008	Additions	Utilisation	Reversals	Changes resulting from exchange rate fluctuations, and other adjustments	**Net amount at 31 Dec 2008**	Direct write-offs	Recoveries on loans and advances previously written off
Asia	0.0	0.0	0.0	0.0	0.0	0.0	–	–
Australia/New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	–	–
Europe	68.4	31.1	21.8	19.3	–0.6	57.8	0.8	0.9
Middle East/Africa	0.0	5.7	0.0	0.0	0.0	5.7	–	–
South America	4.9	0.0	0.0	0.0	0.3	5.1	–	–
North America	32.0	7.0	0.0	7.9	0.6	31.7	–	–
Offshore	0.0	0.0	0.0	0.0	0.0	0.0	–	–
Total individual impairments	**105.3**	**43.8**	**21.8**	**27.2**	**0.3**	**100.3**	**0.8**	**0.9**
Total portfolio impairments	**8.0**	**1.4**	**0.0**	**2.0**	**0.0**	**7.4**		
Total impairments	**113.3**	**45.2**	**21.8**	**29.2**	**0.3**	**107.7**		

2007 (€ mn)	1 Jan 2007	Additions	Utilisation	Reversals	Changes resulting from exchange rate fluctuations, and other adjustments	**Net amount at 31 Dec 2007**	Direct write-offs	Recoveries on loans and advances previously written off
Asia	0.0	0.0	0.0	0.0	0.0	0.0	–	–
Australia/New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	–	–
Europe	79.1	27.4	29.8	6.2	–2.0	68.4	1.0	0.1
Middle East/Africa	0.0	0.0	0.0	0.0	0.0	0.0	–	–
South America	4.0	2.2	0.0	1.0	–0.3	4.9	–	–
North America	40.6	10.1	2.0	13.1	–3.7	32.0	–	–
Offshore	0.0	0.0	0.0	0.0	0.0	0.0	–	–
Total individual impairments	**123.7**	**39.7**	**31.8**	**20.3**	**–6.0**	**105.3**	**1.0**	**0.1**
Total portfolio impairments	**7.0**	**1.2**	**0.0**	**0.2**	**0.0**	**8.0**		
Total impairments	**130.7**	**40.9**	**31.8**	**20.5**	**–6.0**	**113.3**		

The following tables show the ***provisions for losses on loans and advances,*** which did not have any material effect upon DVB during the past two years, by business division and geographical region:

2008 (€ mn)	1 Jan 2008	Additions	Utilisation	Reversals	Changes resulting from exchange rate fluctuations, and other adjustments	**Net amount as at 31 Dec 2008**
Shipping Finance	0.2	0.0	0.0	0.1	0.0	0.1
Aviation Finance	0.0	0.7	0.7	0.0	0.0	0.0
Land Transport Finance	0.0	0.0	0.0	0.0	0.0	0.0
Investment Management	0.0	0.0	0.0	0.0	0.0	0.0
ITF Suisse	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.2	0.0	0.0	0.0	0.0	0.2
Total provisions for losses on loans and advances	**0.4**	**0.7**	**0.7**	**0.1**	**0.0**	**0.3**

2007 (€ mn)	1 Jan 2007	Additions	Utilisation	Reversals	Changes resulting from exchange rate fluctuations, and other adjustments	**Net amount as at 31 Dec 2007**
Shipping Finance	0.1	0.1	0.0	0.0	0.0	0.2
Aviation Finance	0.0	0.0	0.0	0.0	0.0	0.0
Land Transport Finance	0.0	0.0	0.0	0.0	0.0	0.0
Investment Management	0.0	0.0	0.0	0.0	0.0	0.0
ITF Suisse	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.7	0.1	0.0	0.6	0.0	0.2
Total provisions for losses on loans and advances	**0.8**	**0.2**	**0.0**	**0.6**	**0.0**	**0.4**

2008 (€ mn)	1 Jan 2008	Additions	Utilisation	Reversals	Changes resulting from exchange rate fluctuations, and other adjustments	**Net amount as at 31 Dec 2008**
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Australia/New Zealand	0.0	0.0	0.0	0.0	0.0	0.0
Europe	0.4	0.7	0.7	0.1	0.0	0.3
Middle East/Africa	0.0	0.0	0.0	0.0	0.0	0.0
South America	0.0	0.0	0.0	0.0	0.0	0.0
North America	0.0	0.0	0.0	0.0	0.0	0.0
Offshore	0.0	0.0	0.0	0.0	0.0	0.0
Total provisions for losses on loans and advances	**0.4**	**0.7**	**0.7**	**0.1**	**0.0**	**0.3**

2007 (€ mn)	1 Jan 2007	Additions	Utilisation	Reversals	Changes resulting from exchange rate fluctuations, and other adjustments	**Net amount as at 31 Dec 2007**
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Australia/New Zealand	0.0	0.0	0.0	0.0	0.0	0.0
Europe	0.8	0.2	0.0	0.6	0.0	0.4
Middle East/Africa	0.0	0.0	0.0	0.0	0.0	0.0
South America	0.0	0.0	0.0	0.0	0.0	0.0
North America	0.0	0.0	0.0	0.0	0.0	0.0
Offshore	0.0	0.0	0.0	0.0	0.0	0.0
Total provisions for losses on loans and advances	**0.8**	**0.2**	**0.0**	**0.6**	**0.0**	**0.4**

5.4.2 Operational risk

In line with the requirements set out by the Basel II Accord, operational risks at DVB are defined as the risk of losses resulting from inadequate or failed internal processes, human or technical failure or external events.

Monitoring and managing operational risks largely comprises the development of a methodology for identifying, quantifying and managing risk, and maintaining an adequate risk reporting system. In view of DVB's moderately complex – yet highly transparent – processes, the Bank considers the so-called Basic Indicator Approach set out by Basel II as appropriate, and will thus not implement the Advanced Approach.

Organisational measures taken include the establishment of a central OpRisk Committee, as well as the creation of an OpRisk Manager for each of DVB's worldwide locations. The tools DVB has implemented to manage and monitor operational risk are self-assessments carried out at least once a year in respect of each location, on a divisional or departmental level, plus the loss database, where losses incurred due to operational risks are recorded. DVB also applies risk indicators that conform to the requirements of the standard approach within the scope of DZ BANK Group procedures. Quarterly reports are submitted to the Board of Managing Directors and the OpRisk Committee; where appropriate, this is supported by ad-hoc reporting. DVB recorded a total of 11 (2007: 51) loss cases with aggregate damages of €36 thousand (2007: €50 thousand) during the year under review.

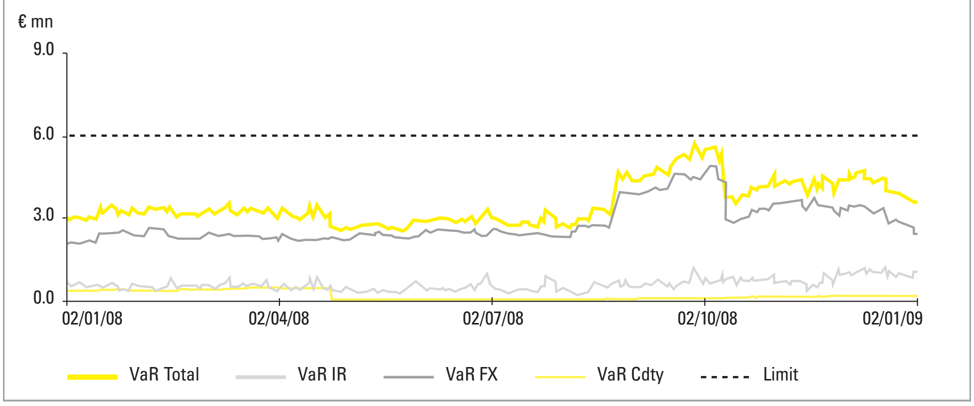
5.4.3 Market price risk

DVB defines market price risk as the potential loss that the Bank might incur on its positions through price fluctuations in the equity, foreign exchange and interest rate markets (including associated derivatives).

Group Treasury is responsible for managing market price risks in both the banking and the trading books. The ALCO meets monthly, to review the market risk exposure for the entire bank and to reach fundamental agreement on risk orientation. DVB determines market price risks for both the trading book and the banking book on the basis of the same VaR procedure. Using this VaR method, the maximum loss that may arise due to market price risks during a holding period of one day is quantified at a confidence level of 99% on the basis of a historical simulation. The functionality of the VaR method is assured by means of a back testing procedure. During the back testing procedure, the gains and losses of the items included in the trading book and the banking book are calculated on a daily basis, using actually-occurred market price changes, and are compared with the values determined by the VaR method.

The chart below illustrates utilisation of the market price risk limit during 2008:

Market price risk 2008



In principle, DVB neutralises interest rate risks through interest rate swaps, which are used to transform assets and liabilities with fixed interest rates into variable-rate positions. The Bank endeavours to maintain a neutral currency position, and hence uses foreign exchange swaps to hedge against foreign exchange risks. Therefore, DVB's market price risk exposure tends to be insignificant.

Trading Control, which is responsible for monitoring market price risks, has direct access to the trading and settlement systems, allowing it to observe whether limits are maintained. The market price risks incurred are therefore subject to constant measurement and limit monitoring through Trading Control, which reports to the Board of Managing Directors on a daily basis.

The reduction in the equity and commodity value-at-risk in April 2008 was due to the sale of treasury shares. The rise in FX value-at-risk in August 2008 reflected the hedging of anticipated US dollar surpluses for the last four months of 2009. These hedges are based on US dollar income expected to materialise with a high degree of probability, as determined by Group Financial Controlling and coordinated with the Board of Managing Directors. Taking these expected values as a basis, Group Treasury sells US dollar one year forward, thus neutralising the foreign exchange risks of projected US dollar cash flows.

The subsequent decline in October 2008 was caused by a change in methodology for the treatment of hedges.

The risk positions are managed on the basis of limits approved by the Board of Managing Directors, which are derived from the risk capital authorised by the Board of Managing Directors. Besides daily VaR (based on a one-day holding period and a 99% confidence level), GRM also determines VaR based on a one-year holding period and a confidence interval of 99.95%; the results are compared to risk capital and taken into account when determining usage of aggregate risk capital. In addition, GRM subjects the Bank's positions to a monthly stress test, based on an entire interest rate cycle. The calculations applied to such extreme situations are discussed regularly in the ALCO. This is designed to ensure a timely reaction to developments. Since the beginning of 2009, market price risk limits have been determined on the basis of monthly stress test results.

5.4.4 Strategic risk

DVB's business policy is managed by way of decisions taken within the scope of closed-door strategy meetings by the entire Board of Managing Directors, and, where appropriate, by the Supervisory Board. For the 2008 business year, strategic risks were measured using a moving average of operating income volatility, assuming a 99.95% confidence level.

DVB defines strategic risk as the potential decrease in its enterprise value that could arise from the Bank's strategic positioning in a constantly changing environment comprising market, clients, competitors, political and legal frameworks.

5.4.5 Liquidity risk

This risk relates to the possibility that DVB Group may not be in a position to meet current and future payment obligations within the specified time or to the specified extent.

Liquidity risks are centrally analysed and managed on the basis of Group Treasury guidelines laid down by the Board of Managing Directors. Group Treasury, which reports to both the ALCO and the entire Board of Managing Directors, assumes responsibility for this process. Decisions on major refinancing projects are made by the ALCO.

Anticipated cash flows are calculated, aggregated and offset by transactions on the money and capital markets, on the basis of continuously updated plans for liquidity flows and cash flow forecasts. These are prepared using SAP data and state-of-the-art asset-liability management software. The position limit system, designed to match the ratio set out in the Liquidity Principle in accordance with the German Banking Act, ensures that timely and appropriate corrective measures can be taken.

A project for the development of the systems, procedures and processes for measuring liquidity risk, which was launched in 2006, was completed at the end of 2007. Accordingly, the measurement of liquidity risks was incorporated into the normal Trading Control workflows on schedule, with effect from 2 January 2008.

Using state-of-the-art software tools, the new system fully complies with today's requirements for measuring liquidity risk, fulfilling both the MaRisk and internal benchmarks regarding the analysis and management of liquidity risk and related reporting.

In addition to multiple base cases, the analyses include various stress scenarios and a worst-case scenario. All cash flows from the Bank's existing business are taken into account, plus simulated cash flows from pending loan commitments and the Bank's budgeted new business.

Since the beginning of 2008, the results of these daily analyses have been aggregated in a report which has been included in the daily reporting package to the entire Board of Managing Directors.

The underlying assumptions for the scenarios are reviewed, and adjusted if appropriate, in regular intervals.

Thanks to the fact that DVB had raised long-term funds as early as December 2007, there was no need to tap the capital markets until July 2008. Encouragingly, the Bank was able to raise long-term euro funding from its traditional promissory note loan investors, almost achieving the full placement volume planned. The year 2008 was generally characterised by the collapse of international capital markets: the massive loss of confidence amongst banks – particularly after the Lehman bankruptcy – made it virtually impossible to refinance internationally. Against this background, DVB's integration into the German Cooperative Financial Services Network proved to be extremely helpful, as the highly liquid German cooperative banking sector permitted the Bank to cover its funding requirements at all times. In this way, DVB maintained a sufficient funding basis throughout the crisis. The Liquidity Principle according to the German Banking Act was consistently adhered to during 2008. At 2.03, the monthly liquidity indicator to be reported to the supervisory authority was significantly higher than the regulatory minimum requirement of 1.0. At 31 December 2008, the indicator stood at 2.3 (31 Dec 2007: 1.4).

This massive loss of trust amongst banks had serious implications on other markets which were previously considered as highly liquid, with the short-term money market suffering in particular. Problems have arisen due to the fact that LIBOR – a key reference rate with major overall implications for the system – no longer reflects real interbank market rates.

DVB is currently experiencing stronger client demand for loans with a one-month interest rate fixing, whereas the Bank's liabilities roll over on a three-month basis in line with common international practice. Using interest rate derivatives to hedge against this basis risk is hardly possible, or only at terms which are not commercially feasible. DVB is in discussions with its clients to revert to a three-month interest rate fixing cycle.

Given that two fundamental preconditions for the proper functioning of the money and capital markets no longer apply, the effectiveness of measures adopted by Treasury has been severely limited. For this reason, DVB has been forced to increasingly invoke the "market disruption clause" in loan agreements with its clients: this allows the Bank to amend the calculation basis of numerous client exposures, replacing the distorted LIBOR reference rates with current interbank rates.

5.4.6 Equity investment risk

Equity investment risk is negligible for DVB Group, since material subsidiaries are fully integrated in the risk management process.

5.5 Opportunities available to DVB

DVB has a unique and clearly focused business model: to arrange and provide structured asset financing, advisory services and investment management services – exclusively to participants in the international transport markets. Notwithstanding its relatively high cyclicality, the transport sector is clearly on a long-term growth trend. Even though the current crisis affecting financial markets and the economy led to declining transport volumes in 2008 (and expected to continue into 2009), with charter/leasing rates and transport asset values falling in some sectors, DVB is convinced that its focus and expertise will help the Bank master the challenges ahead.

Given DVB's status as a renowned specialist, financing and advising the international transport sector, the Bank believes that there are various opportunities available – particularly in this challenging market environment. DVB is determined to exploit these opportunities.

- DVB targeted and implemented a balanced diversification of its credit portfolio – by types of asset, borrowers, and regions – at an early stage. As a result, the Bank sees no need for an excessive cut-back of certain portfolio parts, nor is it required to sell at a loss. Leveraging its broadly diversified and adequately collateralised portfolio, DVB is in fact in a position to exploit opportunities for growth.

- Against the background of tight refinancing and a restricted capital base, in conjunction with higher refinancing risks, competitors have adopted a clearly more restrictive lending policy; some have stopped lending altogether. In particular, this applies to banks and investors who exposed themselves to the transport finance business opportunistically in a positive market environment.

  - In contrast, the strategy adopted by DVB is cycle-neutral: this is why the Bank has remained a reliable partner to its clients, continuing to provide financing and advice even during the current difficulties. This will further intensify client relationships, bolstering long-term trust, and will also attract new clients.

  - Due to a lack of financing offers and less price competition, it has become possible to offset higher refinancing risks with higher interest margins. Furthermore, the Bank is now able to negotiate financing and collateralisation structures that are even more conservative than the high standards already applied in its credit portfolios.

- DVB has the opportunity to further expand its advisory and other services, particularly in asset management, and to increasingly offer them to clients, banks and investors. This holds the chance of growing potential sources of income which are not linked to credit and which are virtually risk-neutral.

- DVB decided at an early stage to develop and implement an internal rating model that meets the Advanced Approach requirements as defined by Basel II. This gives DVB a competitive edge over other banks applying less sophisticated rating procedures since DVB benefits from lower capital adequacy requirements, mainly as a result of the high-quality asset collateralisation of loans and advances to customers. This enables DVB to grow its financing volume on a selective and risk-aware basis, winning market share without having to increase capital.

Applying the structure of a "SWOT" analysis, DVB Group's strengths, weaknesses, opportunities and threats are summarised as follows:

Strengths

- Unique business model with a clear focus
- Experienced staff
- Extensive market and asset expertise
- Flat hierarchies, high degree of flexibility, fast decision-making
- Customised products and services
- Non-cyclical business approach, ensuring the Bank remains a reliable partner even during times of crisis
- Global presence in all key transport markets
- High level of client service
- Close contacts to manufacturers and leasing companies
- Advanced risk management and pricing systems
- Backed by the liquidity of the German Cooperative Financial Services Network

Weaknesses

- Relatively high sector exposure
- Global presence requires high staff resources
- High staff costs due to high levels of employee qualification in terms of academic expertise and experience
- No material client deposits
- Dependence on the money and capital markets
- Exposure to the euro/US dollar exchange rate

Opportunities

- Growth potential thanks to diminishing competition
- Growth potential following implementation of the Advanced Approach under Basel II
- Realisation of margins in line with risks taken
- Expansion of anti-cyclical Investment Management activities
- Building new client relationships
- Funding available through the German Cooperative Financial Services Network
- Expanding the advisory and other services offered to clients, banks and investors

Threats

- Money market distortions (in the broadest sense)
- Declining asset values in the shipping markets
- Escalation of the crisis affecting the global financial markets and economy, drawn-out global recession, deflationary trends
- Sensitivity of the top and bottom line towards the euro/US dollar exchange rate – risk of an unexpected (and unanticipated) rise of the US dollar against the euro
- Further government support for DVB's direct competitors

5.6 Summary and outlook

DVB has organised its risk management functions in a manner that complies with legal and regulatory requirements. Its risk management system is appropriately designed to efficiently monitor and manage all risks that the Bank is exposed to, allowing it to consciously take on and control risks, and to exploit opportunities available.

DVB's business remained within the Bank's economic risk-bearing capacity throughout 2008 with regard to the utilisation of risk capital. The overall risk capital limit was adhered to at all times during the business year under review. DVB is confident that this compliance will also prevail throughout the 2009 business year, even though the global financial markets and economic crisis is likely to increase average utilisation of risk capital.

The collapse of international capital markets, caused by a massive loss of confidence amongst banks and the enormous distortions on short-term money markets were a new and painful experience for most market participants. DVB's integration in the German Cooperative Financial Services Network was very supportive in this market environment, and continues to provide support: as the highly liquid German cooperative banking sector permitted the Bank to cover its funding requirements at all times. In this way, DVB maintained a sufficient funding basis throughout the crisis. No significant changes to this scenario are expected in 2009.

The crisis affecting the global financial markets and economy is expected to prevail during 2009 and beyond. Many economies are already in recession. Numerous banks have adopted a much more restrictive lending policy. Many of DVB's competitors have withdrawn from the transport finance business – partially or totally, temporarily or finally. DVB is determined to use this market situation to further expand its range of products, advisory and other services offered, to further enhance the Bank's reputation as a reliable partner in difficult times. The purpose is to sustainably secure DVB Group's profitability.

6. Report on expected developments 2009/2010

in accordance with section 315 (1) sentence 5 of the HGB
(as at 19 March 2009)

The report on expected developments consists of DVB's assessment of potential trends in the transport finance markets during 2009 and 2010, together with a projection of the financial position of DVB Group.

6.1 Transport Finance – Markets

Governments around the world responded to the rapid drop in economic activity by adjusting monetary policy and promising large fiscal outlays to jump start their respective economies. The Bank of England lowered interest rates to their lowest level (0.5%) since the bank was founded in 1694. The US Federal Reserve dropped rates to nearly zero and the ECB cut rates to 2.0%, their lowest level ever. Soon it was apparent that monetary policy could only be a part of the solution, and that a multi-prong approach was required, involving fiscal stimulus packages, providing banks with guarantees, and assuming part ownership in financial institutions, amongst other things.

Ironically, it is this restrictive environment on the corporate level which has seen financial institutions tighten consumer lines of credit; an essential avenue that if not at "normal" levels will stifle consumers, particularly in the US. This contributes to the significantly lower levels of consumer confidence spurred by decreasing home equity, falling equity market wealth, diminishing job security and tightening credit conditions. Weak household balance sheets caused lower consumer demand leading to lower production and less trade; the suddenness of which is still reverberating in the transportation world.

The prognosis is unclear. The US, EU, UK and other major Western economies are either already in recession or are projecting negative GDP growth for 2009. US unemployment rose by 2.6 million last year to more than 11 million (7.2%), which is its highest level since the Second World War. Last year, consumer prices in the US advanced at their slowest pace in 50 years, raising concerns about deflation. Since mid-2007, the write-downs worldwide by financial institutions have exceeded US$1 trillion.

In the aftermath, banks are likely to simplify their capital structure by eliminating exotic financial instruments and will generally act cautiously. Furthermore, capital will be in demand, spurred by the need to finance all the bailout packages being put forth across the globe. The uncertainty within the banking system remains a considerable risk to the world economy. Despite the government bailout packages, it is apparent that the current situation cannot regain an even keel within a few quarters. The probability of various outcomes is weighted towards the current recession being longer than those experienced in the 1970s and 1980s.

The report on expected developments contains forward-looking statements, including statements concerning the future development of DVB Group.

The evaluations and forecasts contained in this report are always subject to the risk of erroneous perception and assessment, and may thus prove to be incorrect. By their very nature, any statements on future developments or events are assumptions rather than precise forecasts. Future developments may indeed diverge from expectations, not least as a result of fluctuations of capital market prices, exchange rates or interest rates; or due to fundamental changes in the economic environment.

Notwithstanding this view that forward-looking statements in this report are realistic, DVB cannot accept any liability regarding their actual occurrence, for the reasons outlined above. The Bank does not intend to update any of the forward-looking statements made in this report.

Abbreviations Transport Finance – Markets	
COA	*Contract of Affreightment*
dwt	*Dead weight tons*
ECB	*European Central Bank*
E & P	*Exploration and production*
GDP	*Gross Domestic Product*
ICAO	*International Civil Aviation Organisation*
TEU	*Twenty Foot Equivalent Unit*
VLCC	*Very Large Crude Carrier*

Given the general decline in passenger and cargo volumes, operators are currently focusing on adjusting capacity to demand. These options vary – from (temporary) lay-up to scrapping. The large backlog of new ships, aircraft and land transport vehicles in many transport market segments is further compounding the situation. As a consequence, the time it will take for transport markets to regain equilibrium will not only depend upon an eventual recovery in demand for freight transport, but also upon the extent to which capacity on order will, in fact, hit the market. Some of the market pressure could be alleviated by deferring delivery, or even by cancelling orders. Insolvency of owners and/or building facilities such as shipyards could prevent the sum total of all ordered capacity from being built. Finally, the sheer amount of assets being built is likely to be impacted by the lower levels of financing available for aviation, shipping, rail and road transport. Contingent on economic developments, some of the deliveries scheduled for 2009 could be at risk. In any case, the majority of new deliveries scheduled for 2009 are likely to take place, with orders placed for delivery in 2010 and 2011 subject to greater uncertainty.

6.1.1 Outlook for the key shipping segments

Although a range of stimulus packages has been proposed worldwide, some of which are being executed, a turnaround in the US and European economies in 2009 is highly unlikely. Without a fully functioning financial system feeding industry, manufacturers, businesses, and consumers, maritime transportation will be hit hard.

Considering the three to six month time lag between an uptick in economic activity and an impact on the shipping markets, the probability for any *container shipping industry* recovery in 2009 is rather slim. Furthermore, the economic recession coincides with all-time high newbuilding deliveries. As at the beginning of 2009, the container vessel orderbook stands at 1,200 vessels, aggregating to 6.1 million TEUs. This represents 50.6% in terms of nominal capacity of the containership fleet of 4,717 vessels, totalling 12.1 million TEUs. A historic high of 2.0 million TEUs from 537 vessels is scheduled for delivery in 2009, including the delayed newbuilding deliveries from 2008. This implies a fleet growth of about 16.8% in terms of nominal capacity, far outpacing the industry demand – which will probably be flat for the year. Excess capacity in the container shipping market lies mainly in the larger sub-sectors. Panamax, Post Panamax and Super Post Panamax vessels, which are predominantly deployed in the arterial East-West trades, together contribute to an aggregate of 79.6% and 88.5% of the capacity growth in 2009 and 2010 respectively.

However, many deliveries scheduled in 2009-2010 will be postponed and some may even be cancelled due to the current market/financial crisis. Contracting activities were almost at standstill in the second half of 2008 as many economic indicators firmly pointed to a one- or two-year market downturn in the container shipping industry. The extremely low levels of contracting activities in a rapidly falling market have left newbuilding valuations at best to guesswork. With increasingly more vessels going into lay-up due to lack of trade activity, the second-hand value will continue to fall well into 2009. Scrapping will hardly change the supply picture in 2009, since the container fleet is very young with an average age of 10.8 years. As of the end of December 2008, the scrapping candidates – usually perceived to be vessels older than 25 years – stand at 466 vessels totalling 436,016 TEUs and representing a mere 3.6% of the container fleet capacity.

In 2009, the fate of the ***dry bulk shipping*** market will be dictated by many "unknowns" ranging from the state of the broader economy, down to actual supply and demand for commodities and finished goods. The domino effect of cancellations of cargoes, charters and COAs has been detrimental to the already fragile situation within the shipping industry. Unfortunately without significant return in earning levels the situation is expected to get worse before getting better. The period will be challenging for shipping, with an increasing number of vessel lay-ups, newbuild cancellations and charter party defaults.

On the supply side, the dry bulk fleet stands at 7,096 vessels (404.9 million dwt). The orderbook – at 3,394 vessels (291 million dwt) – represents 72% of the fleet in dwt terms. In the currently depressed shipping and financial markets, the number of newbuildings which will actually be delivered is questionable and DVB expects a large number of cancellations in 2009. As more than 70% of the orderbook is yet to commence construction, this downward cycle is an opportunity for many owners to reassess and re-evaluate their newbuild program. The Bank also expects to see a lot more scrapping in 2009, and will not be surprised to see the 1986 record of 322 vessels (12 million dwt) breached.

While 2008 caught analysts by surprise on the upside, the near-term outlook for ***crude oil tankers*** is somewhat different. The demand scenario for the crude tanker market is unlikely to witness high growth rates, if any, during 2009. Fleet supply statistics are more worrying, with almost 44% (766 vessels, 134.2 million dwt) of the current crude tanker fleet on order. While the net fleet additions in 2008 were restricted to 164 vessels or 8.161 million dwt in 2008, the increase in 2009 is expected to reach 295 vessels or 47 million dwt. All crude oil tanker sub-sectors are expected to be hit, however, the VLCC and Aframax sub-sectors are in a more vulnerable position vis-à-vis other sub-sectors.

This will put tremendous pressure on utilisation rates – and therefore timecharter (TC) rates – in the months ahead. As freight rates soften in the crude tanker market, there may be more cancellations and delays. On the other hand, most of the vessels due for delivery in 2009–2010 were ordered in 2006–2007. Therefore it is more difficult to cancel these orders: accordingly, cancellations at least for 2009 deliveries may not be that numerous.

The negative demand-supply imbalance will also lead to a decline in asset values which will be exacerbated by lower steel prices predicted for 2009. Already asset values for vessels have come off historic highs, in line with falling TC rates. The only glimmer of hope may come if the bearish trend in the world economy is in a position to bottom out by the third quarter of 2009, and crude oil producers are able to respond rapidly to a possible increase in demand by increasing production. To do this will not be in their interests: therefore, the probability of both these events occurring looks unlikely at the moment.

The financial crisis has been particularly destabilising for the *offshore industry* and therefore DVB expects operators to cut back on E&P spending, more cancellations of newbuild orders, a slowdown in orders and more consolidation or exiting of some small players. The reason for this is that small players are the most exposed, across the industry, to speculative orders, as well as to developments in marginal fields where breakeven levels are well above the current crude oil price. These projects mainly involve small or depleting fields in the North Sea, Gulf of Mexico and West Africa. Larger projects, such as deepwater fields, are relatively viable: these have been planned by oil majors in order to replenish existing depleting reserves, where investment is justified over a longer term. But the long-term demand for energy is expected to continue to grow, despite the current economic turmoil. Taking this into account, as well as the fact that world oil reserves are depleting, it is clear that exploration is essential for the world economy to grow. The offshore industry therefore will gain from this long-term bullish view.

Cruise lines are facing some challenging times ahead. Significantly lower levels of consumer confidence spurred by decreasing home equity, falling stock-market wealth, diminishing job security and tightening credit conditions, have all led to weakened household balance sheets and a sharp drop in cruise bookings since the fourth quarter of 2008. The industry has responded by significant discounting of fares, and resorted to a range of measures in an effort to maintain reasonable occupancy levels. Smaller cruise lines could well be forced to drop prices to unsustainable levels, given that they lack the economies of scale compared to some of their competitors. This could pave the way for acquisitions, mergers or changes in the ownership structures of these cruise lines.

All indications are that it will not be until 2010 before there is a visible shift in consumer sentiment, and with it in the fortunes of the cruise lines.

6.1.2 Outlook for the key aviation segments

With huge uncertainty overhanging the global economy, it is difficult to provide any reliable forecast for the global aviation markets. Some of the major industrial countries face stagnant and increasingly negative growth figures, resulting in lower disposable consumer income, bankruptcies and increasing unemployment. Inevitably, this kind of environment will have a strong negative impact on all segments of global air traffic; ***air cargo, business passengers, as well as leisure traffic.*** ICAO's December 2008 forecast of +0.9% growth in global passenger kilometers for the year 2009 may very well prove to be too optimistic. The continuing low oil price – as such, a result of the weak economy – may offer the airline industry some relief and financial results may not be as devastating as after the 9/11 crisis, but ICAO's 2009 forecast of US$3.8 billion operating profit seems optimistic as well.

Given the negative momentum that was building late 2008/early 2009, it seems unlikely that the current recession will be a short one. With hardly any light at the end of the tunnel, economists are now starting to indicate that the upturn may only come in the second half of 2010 at the earliest.

For 2009 many airlines will see a further loss of profitable premium traffic, followed by pressure on leisure traffic as well. Apart from further cost cutting, a reduction of capacity seems the only "solution" to this problem. In the cargo market, the market segment hit first and (so far) most severely by the recession, freighters are already being parked in larger numbers.

Older generation narrowbody passenger aircraft were already being sent to storage areas in the desert during 2008, as a result of the higher fuel cost. Lower fuel prices, however, are unlikely to bring many of these planes back into operation since in the medium- or long-term oil is bound to go up again and more stringent environmental legislation will make these older gas guzzlers unattractive.

Although not yet confirmed by the commercial ***aircraft manufacturers,*** DVB expects a significant number of orders placed for modern aircraft between 2005 and the first half of 2008 to be deferred or cancelled. The manufacturers have already indicated that production will not be increased as originally planned. Because some operators that ordered aircraft for delivery in 2010 and beyond are still willing to take delivery this year, DVB does not expect many "white tails" (aircraft produced without buyer) in the short term. Production discipline will be essential to maintain the fragile equilibrium in the segment of modern narrowbodies, but any major default may temporarily disrupt even this segment.

The widebody passenger aircraft market will continue to benefit from the Boeing 787 Dreamliner and Airbus A380 delays. While it seems the A380 problems are under control, more uncertainty surrounds the B787. While the market position of the new Airbus A350 seems secure, other new technology aircraft developments, such as the Bombardier CSeries and the Boeing 747-8 may find it difficult to gain sufficient market momentum under current circumstances. The market for cargo aircraft and cargo conversion projects seems very depressed.

In addition to the weak demand for air travel, airlines as well as operating lessors will have significant problems securing finance for their aircraft acquisitions. While top-tier operators may still find funding, second- and third-tier operators will struggle. As many airlines are strengthening their cash positions, the remaining aerospace banks may find refinancing transactions from a risk/reward point of view more attractive compared to funding new aircraft acquisitions. While still the subject of heated debate, there is a high probability there will be a "funding gap" opening up during the second half of 2009. Government support, in the form of increased export credit facilities as well as "special facilities", may be the only way to compensate the shortfall in commercial "open market" financing. Leasing companies may offer limited relief, since they are largely relying on bank funding themselves. DVB expects some significant restructuring to take place in the aircraft leasing market.

Whereas the commercial aviation market is undeniably under a lot of pressure, the market for modern commercial jets shows more resilience than many other asset categories. With limited competition – allowing excellent risk/reward conditions – the 2009 outlook for DVB's aviation business is actually surprisingly positive. Longer term, maybe during the second half of 2010, the current stagnation may very well result in a strong recovery – once more confirming the cyclical nature of the commercial aviation market.

6.1.3 Outlook for the key land transport segments

The outlook for *land freight transport* also remains very uncertain: both rail freight traffic and road haulage will have to face declining transport volumes during 2009, at least until there are signs of a recovery in demand for consumer goods. Nevertheless, US railroads, the European Union and many individual European states (through their economy stimulus packages) are planning to maintain a strong level of investment in 2009, as they have for the last several years. Actual investment levels will depend to some extent on how deep the recession goes and on how long it lasts, but railroads and governments know that they have to invest today to have the rail capacity America and Europe need for tomorrow. Investment in new high-speed lines continues relentlessly in Europe, and the first high-speed line in the US is in preparation – with plans being drawn up for more.

In Europe, the situation could become problematic for private operators in particular: despite this group being able to benefit from lower market-entry thresholds as a result of EU transport policy over recent years, they are relatively small compared to state-owned railways. In the US the same can be said about the short line railroads. State-owned railways in Europe are also likely to experience heavy financial troubles, since state aid is significantly restricted by European Union law: furthermore, the second- and third-largest freight railways already reported major losses for 2008 and expect them to persist in 2009. Also, five UK franchise operators are suspected of financial weakness by the Department of Transport.

The number of insolvencies is also expected to rise in the road haulage business – typically organised in smaller and medium-sized enterprises – the longer the crisis prevails. Increases in European road tolls – particularly in Austria – will restrict transit traffic even more in 2009. The only bright spot for road haulage is the cost relief due to the strong fall in fuel prices, but as soon as the demand for oil picks up, they will rise again.

The growth momentum seen in *passenger rail transport* in 2008 is likely to continue this year in Europe. In Europe the number of passenger-kilometers has increased for the train scheduling period in 2009 and there are no signs of any cutbacks for 2010 as yet. In the US, although ridership increased sharply in 2008 – and in most of the regions is still on the rise – regional passenger transport companies cope with lower income from road fuel taxes (as the oil prices went down in the second half of 2008) thereby being caught by the paradox which exists in the US for a long time now: if the oil prices are high, the passenger providers suffer from a too high cost level. In both cases they are forced to cut back services, since subsidies are in general not altered.

Another paradox looms for passenger rail operators. The longer the economic crisis prevails, the more labour market developments (short shifts, job losses) will translate into lower passenger numbers, both in long-distance passenger rail transport and local public rail transport. On the other hand, a higher unemployment ratio will urge people to use public transport and sell their cars. Either way, the progress of urbanisation is inexorable and rail is increasingly becoming a better alternative in crowded areas.

European *manufacturers of rolling stock* can rely on full orderbooks in 2009. A record number of around 750 new standard-gauge locomotives, 3,150 train sets (another record) and 550 passenger coaches comprise the fixed orders to be built in 2009. On the freightcar side 8,500 freightcars are fixed orders, and 4,200 are planned orders but still have to be converted into a fixed order. A total of 12,700 standard-gauge freightcars would approach the record production of 13,500 freightcars in 2008. However, it is to be seen how many planned freightcar orders will be postponed and how much options will be drawn as money dries up and transport volumes decline. It has to be said that orders for locomotives and freightcars pretty much dried up during the last quarter of 2008.

In contrast, US-based manufacturers are already experiencing a sharp downfall in deliveries scheduled to take place in 2009. Some of them have had to let go of part of the workforce, or shut down factories in order to balance supply and demand. Rail Theory Forecast predicts a freightcar production output of 31,000 units in 2009, whereas 59,000 came out of the factories in 2008. With 850 planned locomotives, the output will be 24% below the level of 2008. US railroads put the oldest locomotives out of service, since they are the least fuel-efficient and cost the most to maintain. But most of them will be kept mothballed, because the railroads want to be prepared for the next surge in traffic.

Although utilisation rates were still high, and the market for used rolling stock was quite strong in 2008, it is to be expected that utilisation rates and lease rates will both come down eventually as a natural effect, adjusting the market to deteriorating demand/supply. Leasing companies will rethink their investment plans, and are likely to opt for a better utilisation rate over fleet size growth.

6.1.4 Overall outlook for transport finance markets

In principle, all scenarios are equally feasible. A further deterioration of the crisis affecting financial markets and the economy, with the scope of a global recession extending into 2010, is as equally likely as the quick success of state measures and programmes, whereby the crisis could be contained to the first half of 2009.

Whatever the expectation regarding the duration of the current financial and economic crisis, the medium- to long-term outlook for the transport sector remains positive. Globalisation will prevail, with the associated increasing division of labour amongst economies. Accordingly, financially strong businesses and investors will use these times to exploit the opportunities available for boosting their long-term market position, through appropriate takeovers. Primary and secondary market prices of transport assets – which have already fallen and will probably continue to decline for some time – will also offer opportunities to investors, from which they will benefit during the coming recovery. And as in the past, those who are first to correctly anticipate the cyclical turnaround and align their businesses and investments accordingly, will come up trumps.

It is often said that each crisis holds the chance for a new beginning. For the transport sector, this holds true insofar as the manifold government measures planned to stimulate the economy also include investment programmes in transport infrastructure. Significant bottlenecks have become evident in this respect during the global trade boom of recent years; for instance, lack of container terminal capacity or insufficient domestic feeder networks for incoming and outgoing container traffic. If state investments are now being directed towards these areas, this will pave the way for the swift – and in particular, congestion-free – handling of goods flows, which are set to grow again in the future.

6.2 Transport Finance – Portfolios

6.2.1 Shipping Finance – Portfolio

In the first three quarters of 2008 the shipping market showed continuous growth, but in the fourth quarter the markets slowed dramatically. What can be expected for the development of DVB's Shipping Finance portfolio in 2009/2010?

Today, DVB is one of the largest providers of recourse and limited-recourse debt to shipping companies, with a total exposure of €10.48 billion. 122 facilities totalling €3.71 billion were added to the Bank's Shipping Finance portfolio in 2008. The DVB Shipping Finance vision is to continue its asset-orientated financing practice in order to achieve further profitable growth, by expanding its business in already-established sectors assuming residual value risks, based on in-depth knowledge of the market and supported by the RASP team. DVB will continue to take a cautious approach on the lending side, and to maintain its portfolio in line with well-established lending guidelines and principles.

The Credit Shipping unit achieves continuous monitoring of DVB's Shipping Finance portfolio, through:

- Quarterly portfolio reviews and stress tests
- Credit reviews (annually, at the very minimum)
- Quarterly updates/reviews of
  - (Potential) Covenant Breach-,
  - Closely Monitored- and
  - Watchlist reports
- Monthly Value Maintenance Clause (VMC) testing and Arrears reporting

Specifically for the drybulk and container vessel portfolios, the Credit Shipping unit has increased frequency of VMC testing updates of a potential covenant breach report.

All such reports are discussed in a weekly Credit Committee meeting, with required actions and follow-up reporting. Speedy action on VMC breaches is taken wherever possible. Since 2000 DVB has repaired VMC breaches on 57 loans with a total outstanding of US$864 million, by receiving prepayments, deposits or additional security. Average repair time has been 88 days.

In 2009, despite the looming global slowdown – especially in some segments of the shipping markets – DVB remains upbeat about the opportunities ahead. The Bank believes that its strategy of splitting the activities into ten sector groups will enable it to successfully navigate the challenging markets. This strategy will also allow DVB to continue to maintain a strong relationship with shipping companies throughout all market sectors.

DVB's portfolio continues to remain satisfactorily diverse in terms of asset types and geography, and will continue to be closely monitored. During 2009, the main themes in DVB's Shipping Asset Management proposals to clients will centre around restructuring/work-out solutions. The coming year will continue to pose challenges in the shipping market: DVB will be prepared to meet them.

6.2.2 Aviation Finance – Portfolio

Having moved into 2009 in the midst of a continuing global financial crisis, and with the major economies in or on the verge of recession, DVB can be sure of one thing: that 2009/2010, whilst presenting fresh challenges, will be a productive period for Aviation Finance.

In early 2009 DVB is already experiencing unprecedented demand for its scarce resources: risk capital and services. The financial crisis has, in some cases temporarily and in others permanently, removed a raft of DVB's banking competitors from the market. The result is that the Bank is among a handful of players still active in global air finance. Indeed in some segments of the Structured Asset Financing activity, the Bank may even be temporarily on its own. It is hard to see much change in this situation during the coming period.

The need for careful selection as to how Aviation Finance deploys its resources will be no more apparent than in the year ahead. Making the right decisions, particularly on which transactions to deploy risk-weighted assets, will be the key to another profitable period. Over time, Aviation Finance has assembled a team of great experience and of multi-disciplined background: in short, a team which is more than capable of ensuring that correct decisions will be made.

Today, DVB is one of the largest providers of recourse and limited-recourse debt to passenger and cargo airlines, and to aircraft lessors worldwide, with a total exposure that has grown steadily to over €4.90 billion, financing over 911 aircraft and 53 engines. The Bank views the continuation of its asset-orientated lending practice as a way of further profitably expanding its business in the sector, and specifically considers its willingness to assume residual value risks (based on in-depth research, and knowledge of the market and specific aircraft) as a competitive advantage. As such, DVB will continue to adopt a proactive approach to maintaining and growing its portfolio in line with well-established lending guidelines and principles.

The Bank always maintains that a market of uncertainty is a market of opportunity for a specialised institution like DVB. In view of its highly asset-focused business approach, DVB believes that it is positioned better than ever to support its aviation client base. The Bank will be open for business throughout 2009 and beyond, but will use its deep knowledge of the underlying assets to avoid hidden asset risks in transactions. The cycle-neutral approach, allied to a discipline that balances commercial pressure with the requirement to maintain a quality portfolio, will be the key ingredients to ensure that Aviation Finance enjoys continued success.

As mentioned, current demand for the Bank's capital and services is strong, but today this is hardly surprising. Going forward, when the financial markets regain some of their former strength, DVB will face renewed competition. This is something it will relish since, based on its market coverage, strength of client relationships and track record of delivery, the Bank can be confident in its ability to maintain the momentum which has seen its Aviation Finance portfolio grow in euro terms by 122.7% (in US dollars, by 127.3%) over the last five years.

In its lending activity during 2009, Aviation Finance expects to see its average margin (including net of increased liquidity costs) for new business on a significant upward trend, and this is without any compromise to the quality of "risk/reward". The Division is very confident of achieving new final-take business at or around €2 billion, in line with budget. At the same time, it is confident of a growing level of activity in its advisory, structured asset financing and asset management services, as the good reputation of these activities spreads.

In summary, opportunities for profitable growth will come from:

- booking of new ("primary") loan business, where Aviation Finance acts as arranger, underwriter and/or agent; and
- its advisory and other fee-generating activities, including from our asset-based services (aircraft and aero engine asset management) which are outside the scope of a typical bank and undoubtedly differentiate DVB from its competitors.

6.2.3 Land Transport Finance – Portfolio

The crisis affecting global financial markets and the world economy has, without a doubt, also reached the land transport markets. In the midst of the uncertainty currently prevailing in many industrial sectors around the globe, it is nearly impossible to make a definitive and conclusive forecast for the 2009/2010 period.

DVB remains convinced that it is well positioned in the rail and road transport markets. Its North American and European teams have an excellent understanding of the market environment, and know the relevant market players. They receive outstanding support from Land Transport Research to identify opportunities and risks and to assess them realistically. The Bank anticipates that business with its core clients in Land Transport Finance will remain stable. These clients had been able to rely on DVB in the past, as the Bank was able to offer its clients and partners stability through funding arrangements offered – even in down-cycle phases. In this regard, Land Transport Finance maintains an optimistic outlook.

The weak global economy will lead to a reduction in transaction volumes in all regions, as many clients will postpone upcoming orders and investments. DVB is currently giving priority to deals in the rail market due to the high degree of volatility in the road transport market. The Bank foresees a stronger increase in capital investments in the acquisition of used rolling stock, especially in the US market (such as sale-and-leaseback deals for freightcars). Though some European sectors are showing signs of market consolidation, such as smaller private sector companies being taken over by state-owned railways, and DVB still sees a good potential for train set financing transactions in regional rail passenger transport.

In its financing activities, DVB continues to rely on its asset expertise, detailed market knowledge and its long-term client relationships. This applies to secured senior loans as well as to transactions whose debt is serviced primarily by the rolling stock being financed (such as financing of operating leases and limited-recourse loans). The Bank will emphasise its work in bilateral transactions and club debt deals in preference to widely syndicated loans.

In addition, DVB plans to further strengthen its non-lending products offered (Structured Asset Financing, Advisory Services and Asset & Market Research) in order to be able to continue providing its clients a wide range of services in difficult times.

6.2.4 Syndications – Markets and portfolio

Abbreviations Syndications	
ECA	*Export Credit Agency*

For 2009 DVB expects sources of transport finance to remain tight. In addition, with less banks present in the market the Bank expects those still conducting new transactions will be very selective. The focus for many of these banks will be on core domestic clients, resulting in less appetite for international transactions. Banks will remain reluctant participants when it comes to syndicated deals, especially large syndicated deals: the focus will therefore be on club deals and bilateral transactions, whereby institutions do not have to assume underwriting risks and are a more visible partner to the borrowers. Nevertheless, DVB does not expect the syndications market to be completely closed – but the number of attractive banks will be limited, and deal terms will really need to stand out.

Since 2007 – and particularly during the third and fourth quarters of 2008 – pricing has moved upwards. DVB expects this trend to continue during 2009, given that there will be fewer banks in the market and continuing cost of funds and liquidity issues due to the current difficult financial markets.

With regard to ***Shipping Finance,*** a key challenge for ship owners and shipyards is to deal with the reducing bank debt liquidity, increasing concerns over the lack of sufficient capacity in the bank market to fund the massive global new-building order book (scheduled for delivery in 2009, 2010 and 2011). DVB has already seen a number of order cancellations for this reason, and expects more to come. The fact that ECA debt is still available, albeit to a limited extent, as an alternative to bank debt (and the expectation that many borrowers will continue to agree on adjusting their finance terms to mitigate the banks' concerns) helps to some extent but can by no means completely resolve the problem.

In the ***aviation market*** DVB has similar concerns regarding the funding gap for new deliveries. Aircraft orders kept up during the first half of 2008, but fell away during the second half of the year. Despite the recent decrease in orders, the financing banks are concerned about the historically high order book of the manufacturers combined with the expected fall in airline load factors as a result of the recession. The number of banks able to lend in aviation deals during the last few months of 2008 declined significantly, with a number of banks actually exiting the sector. DVB therefore expects a slowdown during 2009 for aviation finance.

The Bank expects some reduction of liquidity for ***rail transactions,*** although this will not be as substantial as for shipping and aviation finance. Banks will focus on financing their domestic operators, rather than joining international transactions. A number of banks expressed interest in increasing their activities in the rail sector, as a means of diversifying lending books dominated to date by aviation and/or shipping finance.

Overall DVB expects to see a very cautious approach in the bank market, and limited underwritings in 2009. The Bank anticipates most financings to be utilised to finance new acquisitions, and it expects to see very little refinancing facilities. As lending terms remain very tight, "market flex" will also remain a requirement in any underwritten offer. DVB does not expect many financial institutions to stop new lending altogether, but it does anticipate a selective approach. In some cases liquidity may be reserved for existing clients or home markets only, which will reduce the amount of liquidity required for the successful placement of a syndicated transaction.

6.3 Investment Management

6.3.1 Shipping & Intermodal Investment Management (SIIM)

In 2009 the focus will be on the close monitoring and managing of SIIM's existing investments, and on investing in new projects through new funds to be established.

In 2009 the shipping and intermodal markets will bring excellent possibilities for opportunity-driven and counter-cyclical investments. Asset values in several sectors have dropped sharply over the past months, enabling players with a counter-cyclical approach to acquire modern high quality assets at attractive prices. The current financial environment presents other interesting possibilities, such as high-yielding bridge finance, discounted debt and public securities, all trading well below their intrinsic value. SIIM aims at further enhancing its presence as a creative and knowledgeable investor within the global shipping and intermodal sectors.

The financial markets turmoil and the resultant economic decline have simultaneously created increased investment opportunities for Stephenson Capital, whilst restricting the liquidity available to support transactions. Historically in Europe there has been little trading in freight rail assets when compared to the US, but there have been some distressed sales during 2008. Manufacturers have seen orders pushed back, or options not exercised, and Stephenson Capital expects to see further opportunities arising in 2009. In the US, the leveraged lease market, which over the years has been used extensively to finance new deliveries, has all but dried up, and this should lead to other equity sources being sought by the operators and lessors. Stephenson has access to capital, and will seek to take advantage of the market uncertainties and its research expertise by investing into specific sectors that have sustainable future growth expectations.

DVB is well positioned to take advantage of such a market situation, and to continue to affirm itself as the creative provider of value-added transactions.

6.3.2 Deucalion Aviation Funds

Abbreviations Deucalion	
GDP	*Gross Domestic Product*

The Deucalion funds are well positioned to take advantage of the investment opportunities emerging in the aviation sector as a consequence of realignment in asset prices caused by a deteriorating economic environment. The funds have sufficient access to capital due to continued investor interest, and whilst obtaining leverage is more challenging in the prevailing volatile credit markets the funds continue to have reasonable access to senior debt financing.

DVB expects to see a modest increase in the volume of funds under management through the Deucalion funds during 2009 and into 2010, principally through increased ownership of aircraft and aero engines, but also through opportunistic investment across the aviation sector.

A significantly contracting credit market at year-end 2008 is expected to persist through 2009, and the Bank expects the competition for investment projects to reduce further in the near term. Weakening GDP growth (there is a close and widely recognised correlation between GDP and airline/air cargo traffic growth) is having a significant impact on aircraft owners in the passenger and freight sectors: the realignment and restructuring of their businesses will present good investment opportunities, particularly where operators are seeking to raise cash. Asset price inflation, so much a feature of the last four years for the more popular asset types, has reversed and this is a welcome correction (for an investor) in seeking a better balance between risk and reward.

Whilst DVB's knowledge of the industry, the strength of the DVB Aviation platform, and its asset-based approach provide the Deucalion funds with a unique asset management platform, aviation remains a volatile and cyclical industry. In its capacity as investment advisor to Deucalion, DVB will remain focused and disciplined in identifying not only new investment opportunities, but also the opportunity of selling existing assets at a profit.

6.3.3 DVB Invest

In 2009, DVB Invest will benefit from the dislocation in the market: it expects to make a limited number of opportunity-driven and counter-cyclical short-term investments across the transportation sector, resulting from the depth of knowledge and experience of DVB's Investment Management business.

6.4 ITF International Transport Finance Suisse AG

ITF Suisse is well established in the market as a syndication partner for banks financing transport assets. At a time when many market players are no longer willing or capable of offering financing to this segment, ITF Suisse will continue to be presented with business opportunities in this difficult global environment.

Many vessel and aircraft deliveries are slated for 2009 and 2010, leading ITF Suisse to foresee continued business demand in these segments. In contrast to several other providers of international transport finance that are currently unable to offer financing, DVB will acquire a moderate amount of new business in 2009. This also holds true for ITF Suisse, although adequate assessment and pricing of risk will be a top priority.

In light of the ailing global economy (with the financial markets crisis and stagnant or contracting national economies), ITF Suisse is forecasting a weak business year that will fall considerably short of long-term plans with regard to business volume for 2009. The challenges that the company is facing for 2009/2010 are twofold. The first is for ITF Suisse to achieve appropriate pricing for new business with clients of good credit quality, whilst successfully managing heightened default risks amongst transport companies. On the other hand, risk exposure should be quite limited due to ITF Suisse's conservative business model: it is quite selective in the business it transacts.

ITF Suisse expects that a large percentage of its business will continue to be in ship financing, and considerably less in aircraft financing; its strategy will be opportunistic in the recently-explored land transport financing segment. Due to the lending policy for financing rolling stock (locomotives, train sets and railway cars) established in 2008, this segment is included in the types of target business in principle. At present, however, the margins paid do not fulfil set requirements.

2010 will in all likelihood be another difficult and challenging year. ITF Suisse predicts that a lasting recovery will begin only in 2011, and that business developments will normalise slowly. For this year and next, the DVB subsidiary is planning a cautious approach to new business and will closely monitor the risks entailed in both new and existing exposures.

6.5 Financial outlook of DVB Group

In 2008, the global financial markets crisis did not have any material impact on DVB's results from its lending business. However, the consequences of the crisis were apparent in a significant rise in funding costs. This trend is expected to prevail during 2009 and 2010.

The already massive loss of trust amongst banks during 2008 had serious implications on other markets which were previously considered as highly liquid. These problems continue into 2009: in particular, the short-term money market is currently barely functional. Problems have arisen due to the fact that LIBOR – a key reference rate with major overall implications for the system – no longer reflects realistic interbank market rates. Furthermore, DVB's results of operations for 2009 will be burdened by maturity mismatches between assets and liabilities, due to stronger client demand for loans with a one-month interest rate fixing on the one hand and the structure of the Bank's liabilities, which – in line with international practice – roll over on a three-month basis. Using interest rate derivatives to hedge against this so-called basis risk is hardly possible, or only at terms which are not commercially feasible.

Abbreviations

LIBOR	*London Interbank Offered Rate*

The global economic slowdown, triggered by the crisis affecting financial markets and the global economy, has created problems on international transport markets. During 2008 and to the present day, this was particularly true regarding the traditionally cyclical shipping markets. In its Annual Report 2007, DVB had forecast a market slowdown. As it turned out, the slump was significantly exacerbated by the crisis affecting the global economy. Freight rates and vessel values – for container vessels and bulk carriers, for instance – reached a peak in the first half of 2008 before falling dramatically: the Baltic Exchange Dry Index (BDI) collapsed from 11,793 index points in May 2008 to just 663 points in early December. Since then, freight rates have shown a gradual and steady recovery: on 17 March 2009, the index stood at 1,974 points – not necessarily a turnaround yet. Given that the value of vessels materially depends upon the freight rates achieved, a slump in rates tends to lead to falling values, which, in turn, may lead to impairments of vessels serving as loan collateral. The way out for ship owners is to offset falling demand by reducing excess capacity. Accordingly, orders for new ships are already being postponed or cancelled. In individual cases, this may burden DVB's Shipping Finance portfolio in 2009/2010.

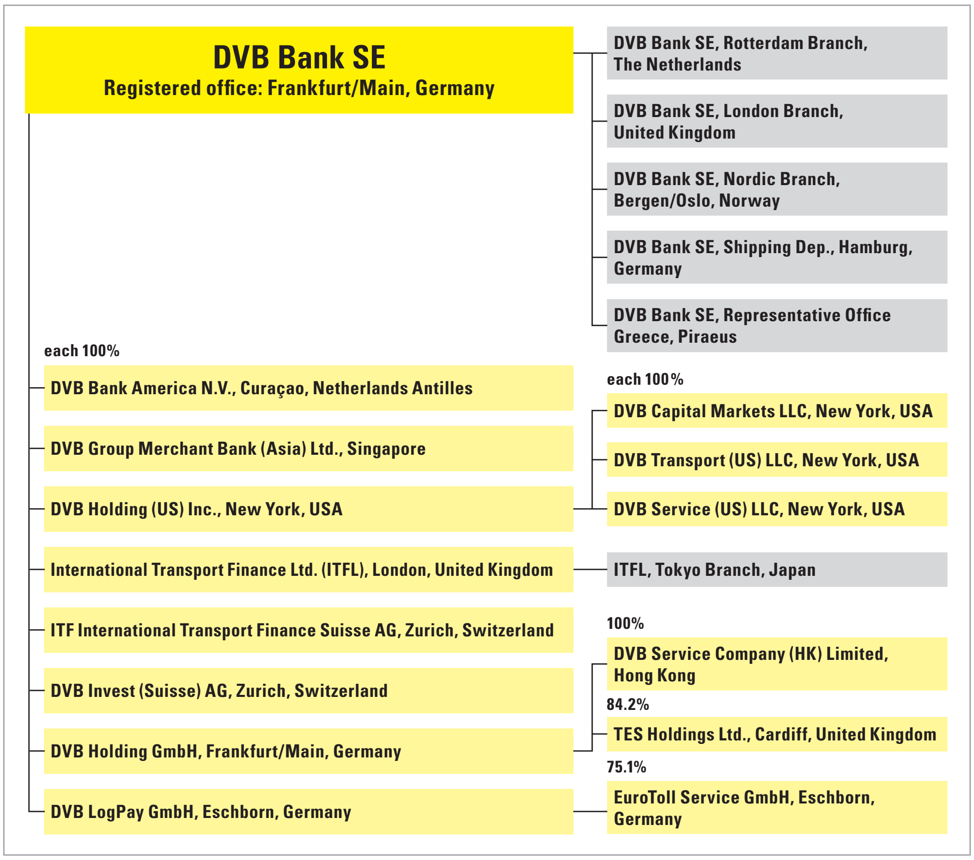
DVB's business model has proven itself during 2008, even during the crisis, and we expect it to remain stable and sustainable during the forecast period covering the years 2009 and 2010. DVB continues to support its Transport Finance clients with advice and financing. Since many competing banks have withdrawn from providing finance to the international transport markets, many clients are largely prepared to accept spreads for new business which adequately reflect both the risks involved and the significant increases in funding costs.

However, as a result of the global crisis, developments in transport and financial markets are subject to a plethora of unpredictable factors beyond the control of market participants. Therefore, DVB is not in a position to make any concrete forecasts regarding its profitability or other key business data. The Bank does, however, envisage general administrative expenses increasing only moderately, given the continued cost discipline applied.

7. Report on branches and subsidiaries

in accordance with section 289 (2) no. 4 of the HGB
(as at 19 March 2009)

The chart illustrates the legal structure of DVB Group, the registered office of the parent company DVB Bank SE as well as material, fully consolidated subsidiaries (yellow shading) and branches and representative offices (grey shading).



The merger of DVB Group's Dutch subsidiary DVB Bank N.V. into the parent company DVB Bank AG, combined with the change of legal form from a public limited-liability company under German law (Aktiengesellschaft) to a European public limited-liability company (Societas Europaea or "SE") was entered into the Commercial Register at the Frankfurt/Main local court on 1 October 2008. The merger took effect retroactively from 1 January 2008. The new company's registered office is Frankfurt/Main. The former subsidiary is now being managed as a branch office in the Netherlands, with its former branches now operating as branch offices of DVB Bank SE. The Far East Representative Office in Hong Kong ceased to operate on 15 April 2008.

DVB Invest (Suisse) AG, a wholly-owned subsidiary of DVB Bank SE domiciled in Zurich, Switzerland, was established in October 2008. The new company offers investment opportunities in transport assets; it commenced business during the first quarter of 2009.

8. Report of the Board of Managing Directors on relations with affiliated companies

in accordance with section 312 of the German Public Limited Companies Act (AktG)
(as at 19 March 2009)

Pursuant to sections 15 and 18 of the AktG, DVB Bank SE is affiliated to DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main, and its Group companies. As at 31 December 2008, DVB Bank SE has been included in the consolidated financial statements of DZ BANK Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main.

In accordance with section 312, sub-section 3 of the AktG, the Board of Managing Directors has disclosed to the Supervisory Board the extent of the relationship with affiliated companies: "With respect to transactions and actions identified in the report on business relationships with affiliated enterprises, adequate consideration was received by our company in respect of every transaction, and the company did not suffer any disadvantage as a result of actions taken or omitted, based on the circumstances of which we were aware at the time such transactions were entered into and actions taken."

Truly international

» 38 nationalities – DVB is truly international with no culture dominating. «

CONSOLIDATED FINANCIAL STATEMENTS
Consolidated balance sheet as at 31 December 2008

Assets (€ mn)	Note #	**31 Dec 2008**	31 Dec 2007	%
Cash and balances with the central bank	(25)	642.9	276.6	–
Loans and advances to banks	(26)	321.7	1,518.8	–78.8
Loans and advances to customers	(27)	14,321.7	10,124.7	41.5
Allowance for credit losses	(28)	–107.7	–113.2	–4.9
Positive fair values of derivative hedging instruments	(29)	267.2	111.8	–
Financial assets held for trading	(30)	531.3	149.8	–
Investment securities	(31)	130.2	190.3	–31.6
Investments in companies accounted for using the equity method	(32)	30.3	34.7	–12.7
Intangible assets	(33)	104.6	89.5	16.9
Property and equipment	(34)	984.9	687.7	43.2
Income tax assets	(36)	79.1	39.3	–
Other assets	(37)	70.6	44.5	58.7
Total assets		**17,376.8**	**13,154.5**	**32.1**

Equity and liabilities (€ mn)	Note #	31 Dec 2008	31 Dec 2007	%
Deposits from other banks	(38)	7,144.9	4,057.9	76.1
Deposits from customers	(39)	5,011.4	4,362.3	14.9
Securitised liabilities	(40)	2,722.6	2,931.8	–7.1
Negative fair values of derivative hedging instruments	(41)	308.0	125.8	–
Financial liabilities held for trading	(42)	287.5	52.2	–
Provisions	(43)	54.8	95.5	–42.6
Income tax liabilities	(44)	83.0	71.3	16.4
Other liabilities	(45)	93.5	38.9	–
Subordinated liabilities	(46)	672.2	625.6	7.4
Equity	(47)	998.9	793.2	25.9
Issued share capital	(47.1)	118.3	99.7	18.7
Capital reserve	(47.2)	335.2	195.8	71.2
Retained earnings	(47.4)	537.7	456.7	17.7
thereof: fund for general banking risks		82.4	82.4	0.0
Revaluation reserve	(47.5)	–5.0	7.2	–
Hedging reserve – cash flow hedges	(47.6)	–15.1	9.0	–
Currency translation reserve	(47.7)	–1.5	3.3	–
Distributable profit		27.9	20.6	35.4
Minority interests	(47.8)	1.4	0.9	55.6
Total equity and liabilities		**17,376.8**	**13,154.5**	**32.1**

Consolidated income statement for the period from 1 January to 31 December 2008

€ mn	Note #	1 Jan 2008–31 Dec 2008	1 Jan 2007–31 Dec 2007	%
Interest income	(16)	872.9	797.4	9.5
Interest expenses	(16)	679.7	607.5	11.9
Net interest income	(16)	193.2	189.9	1.7
Allowance for credit losses	(17)	16.5	20.3	–18.7
Net interest income after allowance for credit losses		176.7	169.6	4.2
Fee and commission income	(18)	109.5	92.7	18.1
Fee and commission expenses	(18)	4.0	7.9	–49.4
Net fee and commission income	(18)	105.5	84.8	24.4
Net trading income	(19.1)	0.1	–6.2	–
Hedge result	(19.2)	–13.7	–3.8	–
Result from the application of the fair value option	(19.3)	0.8	0.4	–
Result from derivatives entered into without intention to trade	(19.4)	–7.2	–1.4	–
Net income from investment securities	(19.5)	–34.1	17.1	–
Net income from financial instruments in accordance with IAS 39	(19)	–54.1	6.1	–
Result from investments accounted for using the equity method	(20)	0.0	3.7	–
General administrative expenses	(21)	156.5	147.4	6.2
Net other operating income/expenses	(22)	28.6	1.9	–
Result from ordinary activities before tax		**100.2**	**118.7**	**–15.6**
Income tax expense	(23)	5.0	–11.0	–
Profit after tax		**105.2**	**107.7**	**–2.3**
Minority interest		–0.3	1.5	–
Consolidated net profit [1]		**104.9**	**109.2**	**–3.9**
Profit carried forward from the previous years		0.0	0.7	–
Transfer to retained earnings		–77.0	–89.3	–13.8
Distributable profit		**27.9**	**20.6**	**35.4**

1) Portion of the Group's profit after tax attributable to shareholders of DVB Bank SE

Earnings per share

	2008	2007	%
Consolidated net profit/loss (€ mn)	104.9	109.2	–3.9
Average number of shares outstanding	42,938,577	39,453,290 [1)]	8.8
Basic earnings per share (€)	**2.44**	**2.77 [1)]**	**–11.9**
Diluted earnings per share (€)	**2.44**	**2.76 [1)]**	**–11.6**

1) The figures for the previous year were adjusted in accordance with IAS 33 due to the 10-for-1 share split on 15 August 2008.

Statement of recognised income and expense

€ mn	2008	2007
Consolidated net profit before minority interests	105.2	107.7
Income and expenses not recognised in the income statement	–37.8	–4.2
thereof: from re-measurement of AfS financial instruments	–12.2	–13.2
thereof: from cash flow hedges	–24.1	5.3
thereof: from currency translation	–4.8	6.2
thereof: from actuarial gains and losses	3.3	–2.5
Total	**67.4**	**103.5**

Consolidated cash flow statement

€ mn			31 Dec 2008	31 Dec 2007
1.		**Result from ordinary activities before tax**	**100.2**	**118.7**
		Non-cash items included in the profit for the period and reconciliation to cash flow from operating activities		
2.	+/–	Depreciation, impairment and write-ups of loans and advances, property and equipment, and investment securities	80.1	20.4
3.	+/–	Increase/decrease in provisions	–29.0	65.3
4.		Other non-cash income/expenses		
	+/–	Hedge accounting	2.7	–4.8
	+/–	Other changes from the fair value measurement of financial instruments	–1,073.1	296.0
5.	+/–	Gains/losses on disposal of investment securities, and property and equipment	–3.3	–19.6
6.	+/–	Other adjustments	–238.0	–193.5
7.	**=**	**Subtotal**	**–1,160.4**	**282.5**
		Changes in assets and liabilities from operating activities		
8.		Loans and advances		
	+/–	to banks	1,237.2	–921.2
	+/–	to customers	–4,145.8	–1,161.4
9.	+/–	Other assets from operating activities	777.8	74.2
10.		Deposits		
	+/–	from other banks	2,916.6	1,511.4
	+/–	from customers	763.3	402.4
11.	+/–	Securitised liabilities	–209.2	–98.1
12.	+/–	Other liabilities from operating activities	8.6	–0.7
13.	+/–	Interest and dividends received	872.9	815.0
14.	–	Interest paid	–634.9	–621.4
15.	+/–	Income taxes paid	–8.7	–18.9
16.	**=**	**Cash flow from operating activities**	**417.5**	**263.8**
17.		Cash proceeds from the disposal of investment securities	110.3	36.6
18.		Cash payments for additions to property and equipment	–153.8	–238.9
19.		Cash proceeds from the disposal of consolidated companies	2.6	0.0
20.		Cash payments to acquire consolidated companies	–22.7	–10.8
21.	+/–	Net change resulting from other investing activities	–17.8	–9.4
22.	**=**	**Cash flow from investing activities**	**–81.4**	**–222.5**
23.	+	Cash proceeds from additions to equity (capital increases, sale of treasury shares, etc.)	158.0	–3.5
24.	–	Cash payments to owners and minority shareholders (dividends)	–19.9	–11.8
25.	–	Net change resulting from other financing activities	–107.9	87.6
26.	**=**	**Cash flow from financing activities**	**30.2**	**72.3**
27.	=	Net change in cash and cash equivalents (total of items 16, 22 and 26)	366.3	113.6
28.	**=**	**Cash and cash equivalents at beginning of period**	**276.6**	**163.0**
29.	**=**	**Cash and cash equivalents at end of period**	**642.9**	**276.6**

Notes to the cash flow statement

Cash and cash equivalents correspond to the balance sheet item "Cash and balances with the central bank". The changes of cash and cash equivalents are presented in the cash flow statement. Cash and balances with the central bank do not include financial investments with a remaining maturity of more than three months as at the date of acquisition.

The changes of the balance of cash and cash equivalents are presented in the cash flow statement, separately for operating, investing and financing activities. Cash flows from operating activities include cash flows resulting from revenue-generating activities of the Group that cannot be allocated to investing or financing activities. Cash inflows and outflows in connection with the acquisition and the disposal of non-current assets are attributed to investing activities. Cash flows from financing activities include cash flows from transactions with equity holders as well as from other borrowings to finance the Bank's business operations.

An amount of €22.7 million was paid in the business year 2008 for the acquisition of additional interests in a special fund. This primarily resulted in additions to loans and advances to customers in the amount of €19.5 million. The fund did not hold any cash or cash equivalents at the date of acquisition.

The sale of another fund generated cash in the amount of €2.6 million. The sale involved the disposal of loans and advances to customers (€2.4 million), other assets (€102.9 million) as well as deposits from other banks (€100.6 million).

Consolidated statement of changes in equity[1)]

€ mn	Subscribed Capital	Capital reserve	Retained earnings
Equity as at 31 Dec 2006	**99.5**	**199.4**	**369.9**
Consolidated net profit/loss			
Transfer to retained earnings			89.3
Income and expenses not recognised in the income statement			–2.5
Capital increase			
Employee participation scheme	0.9	4.0	
Dividend payment			
Changes in treasury shares	–0.7	–7.6	
Changes in consolidated group and other changes			
Equity as at 31 Dec 2007	**99.7**	**195.8**	**456.7**
Consolidated net profit/loss			
Transfer to retained earnings			77.7
Income and expenses not recognised in the income statement			3.3
Capital increase	17.0	130.5	
Employee participation scheme	1.3	5.2	
Dividend payment			
Changes in treasury shares	0.3	3.7	
Changes in consolidated group and other changes			
Equity as at 31 Dec 2008	**118.3**	**335.2**	**537.7**

1) The statement of changes in equity is part of the notes to the consolidated financial statements.

Revaluation reserve	Hedging reserve – cash flow hedges	Currency translation reserve	Distributable profit/ accumulated loss	Equity before minority interests	Minority interests	**Equity**
20.4	**3.7**	**–2.9**	**12.5**	**702.5**	**2.3**	**704.8**
			109.2	109.2	–1.5	107.7
			–89.3	0.0		0.0
–13.2	5.3	6.2		–4.2		–4.2
				0.0		0.0
				4.9		4.9
			–11.8	–11.8		–11.8
				–8.3		–8.3
				0.0	0.1	0.1
7.2	**9.0**	**3.3**	**20.6**	**792.3**	**0.9**	**793.2**
			104.9	104.9	0.3	105.2
			–77.7	0.0		0.0
–12.2	–24.1	–4.8		–37.8		–37.8
				147.5		147.5
				6.5		6.5
			–19.9	–19.9		–19.9
				4.0		4.0
				0.0	0.2	0.2
–5.0	**–15.1**	**–1.5**	**27.9**	**997.5**	**1.4**	**998.9**

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Basis of accounting

For the business year 2008, the consolidated financial statements of DVB Bank SE were prepared in accordance with International Financial Reporting Standards (IFRS) and the additional requirements of German commercial law under section 315 a (1) of the German Commercial Code (Handelsgesetzbuch – HGB), pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. IFRS encompasses the individual standards called IFRS, as well as the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). The standards relevant to the consolidated financial statements are those published by the International Accounting Standards Board (IASB) and adopted by the European Union until 31 December 2008.

The business year corresponds to the calendar year. One Group company is included in the consolidated financial statements based on financial statements for that company's business year which runs from 1 November to 31 October. As this business year deviates less than three months from the business year of DVB Bank SE and the effects of this deviation are immaterial, DVB elects not to prepare interim financial statements. Unless otherwise indicated, all amounts are stated in millions of euros (written: € mn or € million). Figures are rounded pursuant to standard business principles. This may result in slight differences when aggregating figures and calculating percentages.

The consolidated financial statements were authorised for publication by the Board of Managing Directors upon approval by the Supervisory Board on 24 April 2009.

Notes to accounting policies applied

For the companies included in the IFRS consolidated financial statements, the following accounting policies were applied on a consistent and uniform basis.

1. General accounting policies

1.1 Accounting standards applied for the first time in the reporting period

1.1.1 Amendments to IAS 39 and IFRS 7: Reclassification of Financial Instruments

In October 2008, the IASB issued an amendment to IAS 39 which permits retrospective reclassification of some financial instruments for a limited period of time. The amendment to IAS 39 was endorsed by the EU in October 2008. DVB did not make use of this option in the business year 2008.

1.1.2 Amendment to IAS 23: Borrowing Costs

The revised version of IAS 23 abolishes the previous option to capitalise borrowing costs and now states that borrowing costs are required to be capitalised. IAS 23 is required to be applied for the first time for business years beginning on or after 1 January 2009. DVB opted for early application of IAS 23 for the business year 2008. Since DVB had already opted to capitalise borrowing costs in the previous business years, the formal early application does not have any impact.

1.1.3 IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 is required to be applied for the first time for business years beginning on or after 1 January 2008 and governs the accounting for refund claims and minimum funding requirements from pension obligations as well as their interaction in specific cases. The first-time application of IFRIC 14 during the business year did not have any impact on measurement and presentation of pension liabilities.

1.2 Expected impact of financial reporting standards or interpretations to be applied in future

As of the balance sheet date, the following standards and interpretations had been issued by the IASB or the IFRIC, respectively, and had been endorsed by the EU. These standards or interpretations are not required to be applied until the business year 2009:

- IFRS 8 "Operating Segments" (DVB has voluntarily applied this standard since the business year 2007),
- IAS 1 (revised 2007) "Presentation of Financial Statements",
- Amendments to IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate,
- Amendments to IFRS 2 – Vesting Conditions and Cancellations,
- Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation,
- Improvements to IFRSs in 2008,
- IFRIC 13 "Customer Loyalty Programmes".

The first-time adoption of these standards or interpretations will not have a material impact on the presentation of DVB's financial position and performance.

The following standards and interpretations issued by the IASB or IFRIC, respectively, until 31 December 2008 have not yet been endorsed by the EU:

- IFRS 1 (revised 2008) "First-time Adoption of International Financial Reporting Standards",
- IFRS 3 (revised 2008) "Business Combinations",
- IAS 27 (revised 2008) "Consolidated and Separate Financial Statements",
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" – Eligible Hedged Items,
- Amendment to IAS 39 "Reclassification of Financial Assets" – Effective Date and Transition,
- IFRIC 12 "Service Concession Arrangements",
- IFRIC 15 "Agreements for the Construction of Real Estate",
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation",
- IFRIC 17 "Distribution of Non-Cash Assets to Owners".

In case these standards or interpretations are endorsed by the EU at a later stage, this would not result in any material effects on the presentation of DVB's financial position and performance.

1.3 Group of consolidated companies and consolidation methods

1.3.1 Group of consolidated companies

DVB Bank N.V., Rotterdam, Netherlands, was merged into DVB Bank AG, Frankfurt, effective as at 1 January 2008. In addition, DVB Bank AG was transformed into a European public limited-liability company (Societas Europaea – "SE") upon the registration of this change of the legal form with the Commercial Register on 1 October 2008. Neither the merger nor the change of the legal form will affect the presentation of DVB's financial position and performance in the consolidated financial statements of DVB Bank SE.

The group of consolidated companies of DVB Bank SE comprises all significant subsidiaries which the Bank directly or indirectly controls within the meaning of IAS 27. This currently includes DVB Holding GmbH, Frankfurt/Main, DVB LogPay GmbH, Eschborn, DVB Holding (US) Inc., New York, Hangar Vermietungs- und Verpachtungs GmbH, Frankfurt/Main, International Transport Finance Ltd., London, DVB Group Merchant Bank (Asia) Ltd., Singapore, DVB Bank America N.V., Curaçao, ITF International Transport Finance Suisse AG, Zurich, as well as these companies' own subsidiaries. DVB Bank SE's share in these subsidiaries' capital amounts to 100% each. In addition, DVB Holding GmbH holds a majority stake amounting to 84.2% in TES Holdings Limited, Cardiff, after a capital increase in the year 2008.

Subsidiaries are initially consolidated on the date on which the Group acquires control over the subsidiary within the meaning of IAS 27; they are de-consolidated on the date on which the Group loses control of the subsidiary.

The full list of shareholdings, as required to be prepared pursuant to section 315 a in conjunction with section 313 (2) and (4) of the HGB, has been published on the website of DVB Bank SE (www.dvbbank.com) and in the electronic German Federal Gazette (elektronischer Bundesanzeiger).

1.3.2 Consolidation methods

Consolidation is based on IFRS 3 in connection with IAS 27 by offsetting the Bank's share in net assets acquired (measured initially at fair value) and the cost of the business combination. Any excess of the cost of the business combination over the Group's share in net assets acquired is capitalised as goodwill and tested for impairment annually, or earlier if there are indications that impairment might have occurred. Goodwill may not be amortised over its expected useful life under IFRS. Any receivables and liabilities, as well as expenses and revenue occurring between Group companies, are eliminated. Intra-group profits are offset.

In accordance with IAS 31 and IAS 28, interests in joint ventures and investments in associates are generally included in the consolidated financial statements at the relevant share in equity (using the equity method).

The financial statements of companies included using the equity method were prepared as at the reporting date of DVB, with two exceptions: one company was included in the consolidated financial statements based on its financial statements prepared as at 31 March 2008, and another company was included based on its financial statements as at 30 November 2008.

Investments in associates of minor significance are measured at cost since their fair value cannot be determined with sufficient reliability.

1.4 Currency translation

The functional currency of the companies of DVB Group is the euro, with the exception of TES Holdings Limited, Cardiff, where the functional currency is the pound sterling. Functional currency is the currency of the primary economic environment in which the company operates. At DVB Group, the functional currency is the currency in which refinancing activities are performed and in which receipts from operating activities are usually retained.

The assets and liabilities of a company included in the consolidated financial statements with a functional currency other than the euro are translated to euro using the closing rate on the balance sheet date, while such company's equity is translated at the historical exchange rate. The translation of expenses and income is based on average exchange rates. Differences resulting from the translation from the functional currency into the reporting currency (euro) are recognised in the currency translation reserve.

Under IFRS, monetary assets and liabilities denominated in a foreign currency, as well as non-monetary items measured at fair value and denominated in a foreign currency, are translated at the spot exchange rate on the balance sheet date. Forward currency contracts are measured using the current forward rate. Any differences arising from the translation of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities measured at amortised cost are translated at the transaction rate.

1.5 Financial instruments in accordance with IAS 39

Financial instruments within the scope of IAS 39 must be allocated upon initial recognition to one of the measurement categories stipulated in IAS 39 according to their specific characteristics and their intended use.

The following categories are used in the consolidated financial statements:

1.5.1 Financial assets at fair value through profit or loss

This category is divided into the two sub-categories "Financial assets held for trading" and "Financial assets designated as at fair value through profit or loss".

1.5.1.1 Financial assets held for trading

All non-derivative assets acquired primarily for the purpose of short-term resale are irrevocably allocated to this category upon initial recognition. As at the balance sheet date, DVB did not have any non-derivative financial assets held for trading. In addition, all derivative financial instruments with positive fair values that are not part of a designated and effective hedging relationship are also classified as "held for trading". Changes in the fair value occurring between two balance sheet dates are recognised in net trading income.

1.5.1.2 Financial assets designated as at fair value through profit or loss

In line with the fair value option, as modified by the IASB in 2005, all financial assets whose measurement would otherwise result in accounting mismatches and that are measured at fair value, or which include an embedded derivative which would be required to be separated, may be allocated to this category. In the consolidated financial statements, this category was exclusively used to eliminate accounting mismatches resulting from interest rate risks and to avoid hedge accounting. Changes in the fair value of "Financial assets designated as at fair value through profit or loss" occurring between two balance sheet dates are recognised in "Result from the application of the fair value option". Financial assets designated as at fair value through profit or loss are reported in the balance sheet item to which they would have been allocated if the fair value option had not been applied.

The change in the fair value of assets designated as at fair value through profit or loss attributable to changes in credit risk is determined in accordance with the method described in IFRS 7.9(c)(i). For this purpose, the changes on the basis of the full fair value are compared with the changes in value in the case of constant credit spreads. The difference corresponds to the change in the fair value attributable to the change in credit risk.

During the year under review (and in the previous year) the Bank did not enter into any derivatives to hedge credit risks resulting from financial assets designated as at fair value through profit or loss. The maximum credit risk exposure corresponds to the carrying amount.

1.5.2 Held-to-maturity investments

The category "Held-to-maturity investments" is currently not used by DVB.

1.5.3 Loans and receivables

Generally, all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market should be allocated to the category "Loans and receivables". At DVB, the category "Loans and receivables" includes loans extended to debtors and receivables acquired on the secondary market. Items of this category are measured at amortised cost using the effective interest method. Accordingly, premiums and discounts are amortised over the term of the assets. Commitment fees received are recognised as deferred liabilities until disbursement of the loans, and subsequently amortised by analogy with premiums and discounts. Amortised premiums, discounts and commitment fees are recognised as interest income.

1.5.4 Financial assets available for sale

All financial assets that cannot be allocated to one of the above-mentioned financial asset categories have to be classified as "Available-for-sale financial assets". They are measured at fair value. Changes in the fair value occurring between two balance sheet dates have to be recognised in a revaluation reserve directly in equity until the relevant assets are realised. To the extent that a negative revaluation reserve exists as at the balance sheet date, it has to be examined within the scope of an impairment test whether impairment has occurred. In this case, the accumulated negative revaluation reserve is de-recognised and transferred to the income statement.

1.5.5 Financial liabilities at fair value through profit or loss

This category is divided into the two sub-categories "Financial liabilities held for trading" and "Financial liabilities designated as at fair value through profit or loss".

1.5.5.1 Financial liabilities held for trading

All non-derivative liabilities entered into primarily for the purpose of discharging them through short-term repurchase are irrevocably allocated to this category upon initial recognition. As at the balance sheet date, DVB did not have any non-derivative financial liabilities held for trading. In addition, all derivative financial instruments with negative fair values that are not part of a designated and effective hedging relationship are also classified as "held for trading". Changes in the fair value occurring between two balance sheet dates are recognised in net trading income.

1.5.5.2 Financial liabilities designated as at fair value through profit or loss

All financial liabilities whose measurement would otherwise result in accounting mismatches, and that are measured at fair value or which include an embedded derivative which would be required to be separated, may be allocated to this category. In the consolidated financial statements, this category was exclusively used to eliminate accounting mismatches resulting from interest rate risks and to avoid hedge accounting. Changes in the fair value of "Financial liabilities designated as at fair value through profit or loss" occurring between two balance sheet dates are recognised in "Result from the application of the fair value option". Financial liabilities designated as at fair value through profit or loss are reported in the balance sheet item to which they would have been allocated, had the fair value option not been applied.

The change in the fair value of liabilities designated as at fair value through profit or loss attributable to changes with respect to DVB's credit risk is determined in accordance with the method described in IFRS 7.9(c)(i). For this purpose, changes on the basis of the full fair value are compared with the changes in value in the case of constant credit spreads. The difference corresponds to the change in the fair value attributable to the change in credit risk.

1.5.6 Other liabilities

All financial liabilities within the scope of IAS 39 that cannot be allocated to one of the above-mentioned financial liability categories have to be classified as "Other liabilities". Other liabilities are measured at amortised cost using the effective interest method. Accordingly, premiums and discounts are amortised over the term of the assets and recognised as interest expense.

Other liabilities also comprise financial guarantee contracts. They are measured upon initial recognition at fair value which generally corresponds to the present value of the guarantee commission received. Liabilities from financial guarantee contracts are subsequently measured at the greater of a provision recorded in accordance with IAS 37 and the fair value at the date of initial recognition, less any subsequently recognised amortisation in accordance with IAS 18. Financial guarantee contracts are presented on a net basis, with the recognised liability netted against the receivable from the guarantee commissions.

1.5.7 Classes of financial instruments

The classes of financial instruments necessary to meet the disclosure requirements of IFRS 7 correspond to the relevant balance sheet items.

1.5.8 Recognition and de-recognition of financial instruments

Derivative financial instruments are recognised on the trade date. Non-derivative financial instruments are recognised on the settlement date. Changes in the fair value occurring between the trade date and the settlement date are recognised in accordance with the classification of the financial instruments.

All financial instruments are measured at fair value upon initial recognition. Differences between transaction prices and fair values determined using measurement models (day 1 profit) are recognised through profit or loss upon first-time recognition. No such differences were recognised in the year under review.

Financial assets and financial liabilities are de-recognised when there are no longer any rights to receive payments in future, or when such rights have been transferred to third parties and DVB does not retain any substantial risks and rewards with regard to the financial assets and financial liabilities.

1.5.9 Impairment and reversals of impairment losses of financial instruments

If there were objective indications of an impairment of financial assets on the balance sheet date, an impairment test was performed in accordance with the provisions set out in IAS 39. Among others, the following factors are used as objective indications: delinquency in interest or principal payments, payment defaults, breaches of material covenants attached to the provision of collateral, certain restructuring measures by customers, impending insolvency, a deterioration of the credit rating within a reporting period by more than two grades or below a defined level, as well as other factors.

In order to determine the actual amount of the impairment of financial instruments of the category "Loans and receivables", the carrying amount as at the balance sheet date is compared with the present value of expected future cash flows. In accordance with IAS 39, the original effective interest rate of the corresponding asset has to be used as the discount rate. The original effective interest rate is the rate that exactly discounts originally estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the carrying amount of the financial asset or financial liability.

If individual financial instruments are insignificant when considered separately, or if no impairment as at the balance sheet date could be determined on an individual basis, such assets are tested for impairment on a portfolio basis together with other similarly insignificant assets or assets not individually impaired.

Uncollectible loans and advances for which no specific valuation allowances were recognised are written off directly. Recoveries on loans and advances previously written off are recognised through profit or loss. If a default is certain for an impaired financial asset, any allowance recognised for this asset is de-recognised against the relevant financial asset and reported as utilisation.

For financial instruments of the category "Available-for-sale financial assets", which are measured at fair value, it has to be examined whether there are objective indications of impairment in the case of a cumulative negative revaluation reserve. In this case, the negative revaluation reserve for the financial instrument concerned must be fully de-recognised from equity and recognised in profit or loss.

If it is established during an impairment test that the reasons for an impairment previously recognised in profit or loss no longer exist, the relevant impairment loss is reversed. For assets measured at amortised cost, this reversal is limited to such amortised cost which would have resulted had no impairment occurred. Reversals of impairment losses are not permitted for equity instruments recognised in profit or loss.

1.6 Embedded derivatives

In accordance with IAS 39, derivative financial instruments embedded in non-derivative financial instruments (embedded derivatives) have to be separated from the host contract and accounted for and measured separately (i) when their economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; (ii) when a separate instrument with the same terms would meet the definition of a derivative; and (iii) when the entire instrument is not measured at fair value through profit or loss. If the requirements for the separation of the embedded derivative are not met, the embedded derivative may not be separated from the host contract. At DVB, there are currently no embedded derivatives which are required to be separated.

1.7 Hedge accounting

Within the framework of DVB's risk management strategy, the Bank enters into various derivatives for the purpose of hedging against interest rate and foreign currency risks. IAS 39 contains specific regulations to report these economic hedging relationships in financial statements. The aim of these provisions is to eliminate accounting mismatches between the hedged items and the derivative hedging instruments used. In accordance with IAS 39, there are three different types of hedging relationships: fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. The designation of these hedging relationships depends on meeting the strict requirements defined in IAS 39.

1.7.1 Fair value hedges

The purpose of fair value hedges is to offset changes in the value of the hedged item by opposite changes in the fair value of the hedging instrument.

This means that the changes in the fair value of the hedged item attributable to the hedged item itself, as well as the opposite changes in the fair value of the hedging instrument, are recognised in profit or loss. Hedged items of the category "Loans and receivables" are measured at amortised cost in line with the general measurement principles of this category. The amortised cost is adjusted subsequently by the fair value change attributable to the hedged risk. Hedged items of the category "Available-for-sale financial instruments" are measured at fair value. Only the fair value changes that deviate from the amount of the hedged change in fair value are recognised directly in equity in the revaluation reserve.

In the case of fully effective hedging relationships, the fair value changes recognised in the income statement offset each other completely during the term of the hedging relationship. The changes in the fair value recognised in the carrying amount of the hedged items have to be amortised through profit or loss until not later than the termination of the hedging relationship. To the extent that the hedging relationship is terminated by selling the hedged item, the cumulative results from re-measurement attributable to the hedged risk exposure are recognised in profit or loss.

DVB designates hedging relationships in order to hedge the fair value of fixed-rate loans and advances to customers, fixed-income securities, fixed-rate liabilities from refinancing activities as well as foreign currency risks related to financial assets and liabilities. Hedging instruments primarily are interest rate swaps. Interest expenses and interest income from the hedged items and from the hedging instruments are recognised in net interest income.

1.7.2 Cash flow hedges

The purpose of cash flow hedges is to offset changes in uncertain future cash flows from hedged items by opposite changes in cash flows from hedging instruments.

Within the scope of accounting for cash flow hedges, the hedging instruments are measured at fair value. Changes in the fair value attributable to the effective portion of the hedging relationship have to be recognised directly in equity in the hedging reserve for cash flow hedges. Changes in the fair value attributable to the ineffective portion of the hedging relationship have to be recognised in net trading income. Changes in the fair value or the cash flows of the hedged items have to be recognised in accordance with the general principles of the relevant measurement category. After the termination of a cash flow hedge relationship, the changes in value that have been previously recognised directly in equity will be recognised in profit or loss simultaneously when the previously hedged items are recognised in profit or loss.

Changes in the fair value of hedging instruments used in cash flow hedges are recognised directly in equity, to the extent that such changes relate to the effective portion of the hedging relationship; or in the hedge result, to the extent that such changes relate to the ineffective portion of the hedge.

At DVB, cash flow hedge relationships are designated to hedge foreign currency risk from interest and fee and commission payments denominated in foreign currencies. Each of the hedged cash flows is expected to occur in the following business year. Hedging instruments are primarily forward currency contracts.

1.7.3 Effectiveness test

Within the scope of the prospective effectiveness test required under IAS 39, a sensitivity analysis is performed on the basis of the so-called basis point value method. The test of retrospective effectiveness is performed using the so-called dollar-offset method. Under this method, the cumulative changes in the fair value of the hedged items attributable to the hedged risk are compared with the changes in the fair value of the hedging instruments. If the changes in the fair values of the hedging instruments and the hedged items compensate each other within the range of 80% to 125%, as defined in IAS 39, the hedging relationship is regarded as effective.

1.8 Accounting estimates

The presentation of the financial position and performance in the consolidated financial statements depends on recognition and measurement methods, as well as assumptions and estimates which are used as the basis for the preparation of consolidated financial statements. If recognition and measurement under IAS/IFRS requires the use of assumptions and estimates, these were made in accordance with the relevant standards.

The following critical assumptions and estimates, as well as uncertainties inherent in the accounting policies, are essential to understanding the underlying financial reporting risks and the effects that these estimates, assumptions and uncertainties may have on the consolidated financial statements. They are based on historical experience, together with other factors such as projections and expectations and forecasts of future events considered likely in view of the current circumstances.

1.8.1 Property and equipment, and intangible assets

The accounting for items of property and equipment and for intangible assets involves the use of estimates for determining the fair value at the acquisition date, especially in the case of assets acquired in a business combination. In addition, the expected useful life of these assets has to be estimated. The determination of the fair values of assets and liabilities is based on management judgements, which were made using all available information in accordance with the standards.

Determining impairments of property and equipment items, and of intangible assets, also requires estimates to be made which relate, among other things, to reason, timing and amount of the impairment. The identification of impairment indicators, the estimation of future cash flows and the determination of fair values of assets (or groups of assets) requires management to make significant judgements concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, relevant useful lives and residual values.

Impairment is based on a number of factors. DVB typically considers changes in current competitive conditions, expectations of growth, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs and other changes in circumstances that indicate impairment. The relevant recoverable amount and the fair value are typically determined using the discounted cash flow method which incorporates reasonable market participant assumptions.

1.8.2 Valuation allowances on loans and advances and provisions for losses on loans and advances (allowance for credit losses)

Uncertainties related to the evaluation of risks in the lending business result, in terms of amount and reason, from assumptions and estimates made by decision-makers. Assumptions and estimates made relate, among other things, to the current and future macroeconomic development as well as the financial performance of individual borrowers. Assumptions and estimates also relate to the historical and current development of the proceeds from the realisation of collateral, assumed realisation periods, as well as final credit default losses, taking into account the structure and quality of the Bank's loan portfolios.

1.8.3 Provisions and contingent liabilities

Provisions are recognised if the Group has a present obligation from a past event which is likely to result in an outflow of economic resources that can be reliably estimated. This present obligation is a liability of uncertain timing and amount. The amount of provisions is determined on the basis of the best estimate. Non-current provisions are discounted.

Recognition and measurement of provisions and the amount of contingent liabilities related to pending litigation involve, to a considerable extent, judgements made by the Group. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. DVB records provisions for liabilities when a loss contingency is considered to exist, and when a loss is considered probable and can be reasonably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated amount of the provision. Significant estimates are also involved in the determination of provisions related to taxes and legal risks.

The measurement of pension provisions is based on the projected unit credit method for defined benefit plans, as defined in IAS 19. The measurement of the benefit obligation is based on various estimates and assumptions, in particular assumptions with regard to the long-term salary and pension trend as well as the average life expectancy. The assumptions related to salary and pension trends rely on the development observed in the past and take into account labour market trends. The bases for the estimate of the average life expectancy are recognised biometric calculation parameters (mortality tables by Prof. Dr. Klaus Heubeck).

The interest rate used to discount the future payment obligations is the market rate for risk-free, long-term deposits with a similar term. The expected long-term performance of the current plan assets is determined depending on the fund structure, taking historical experience into account.

1.8.4 Non-current assets held for sale

These assets are measured at the lower of carrying amount and fair value less costs to sell and are classified as "non-current assets held for sale". Such assets are no longer subject to amortisation. In general, impairments are recognised only when the fair value less costs to sell is below the carrying amount. In case of a subsequent increase in the fair value less costs to sell, the impairment loss previously recognised has to be reversed. The reversal of impairment losses is restricted to the impairment losses previously recognised for the assets concerned.

2. Cash and balances with the central bank

This item includes cash on hand and the balances held at the central bank. Measurement is based on nominal values.

3. Loans and advances to banks and customers; allowance for credit losses

Loans and advances to customers and banks mainly include advances and loans extended to customers and banks, as well as money market assets. Loans and advances are generally measured at amortised cost. Individual loans and advances to customers are measured at fair value under the fair value option. Changes in the fair value are reported in the result from the application of the fair value option. If the loans and advances were designated as hedged items in effective fair value hedges, the carrying amount includes fair value changes attributable to the hedged risk.

The allowance for credit losses was determined in accordance with the provisions of IAS 39. The allowances are calculated by estimating the amount and the time of expected future cash flows from loans and advances, taking into account proceeds from the realisation of collateral, and by discounting them with the individual original effective interest rate of the loan or advance concerned. If the present value of the expected future cash flows so determined is less than the carrying amount, an addition to valuation allowances is recorded. If the present value exceeds the carrying amount as at the balance sheet date, and if a valuation allowance was recognised in previous business years, the carrying amount is increased correspondingly by means of a write-up, not exceeding amortised cost. If loans and advances have not been reviewed for impairment on an individual basis, a portfolio-based valuation allowance (portfolio impairment) is recognised on the basis of historical experience.

4. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading mainly include interest and currency derivatives with positive and negative fair values which are not used as derivative hedging instruments under hedge accounting. Financial assets and liabilities held for trading are measured at fair value. Changes in the fair value are recognised in net trading income.

If a quoted market price was available for derivative financial instruments listed in an active market, such market price was used as the basis for the determination of the fair value. For derivative financial instruments not quoted in an active market, the fair value is determined by means of generally accepted measurement methods. Financial instruments without option characteristics were exclusively measured in accordance with the so-called discounted cash flow (DCF) method. Under the DCF method, the expected future cash flows are discounted using the market interest rate applicable at the measurement date. Derivative financial instruments with option characteristics are measured on the basis of the Black-Scholes model.

5. Investment securities

Investment securities include bonds and other fixed-income securities, equities and other non-fixed-income securities, as well as shares in unconsolidated subsidiaries and associates not accounted for using the equity method.

Investment securities are measured in accordance with the relevant measurement category. Investment securities of the category "Financial assets available for sale" are measured at fair value. The fair value of financial instruments which are listed on an active market is determined on the basis of quoted market prices. If such a quoted market price is not available, the instruments are measured using measurement methods such as the discounted cash flow method. Changes in the fair value of instruments included in this category are generally recognised directly in equity in the revaluation reserve. If the fair value of individual investment securities cannot be determined, they are measured at cost.

Investment securities of the category "Loans and receivables" – especially small quantities of bearer bonds not listed in an active market – are measured at amortised cost.

6. Investments in companies accounted for using the equity method

Investments in associates and interests in joint ventures are recognised in the consolidated balance sheet at cost when the significant influence arises, or upon formation. In subsequent years, the carrying amount is adjusted by taking into account the pro-rata changes in equity of the company concerned. The pro-rata share in net profit of the company concerned is recognised in the income statement in the result from investments in companies accounted for using the equity method.

If there are indications of an impairment of the interests held in a company accounted for using the equity method, an impairment test is performed and, if necessary, the carrying amount of the interests is written down. Impairment losses are reversed if the underlying reasons for an impairment loss cease to exist, up to the amount of the original carrying amount. Impairment losses and reversals of impairment losses are recognised in the income statement item "Result from investments in companies accounted for using the equity method".

7. Intangible assets

Intangible assets mainly comprise goodwill. In addition, purchased and internally generated intangible assets are capitalised if the recognition criteria set out in IAS 38 are met. In accordance with IFRS 3 in connection with IAS 38, goodwill is not subject to amortisation, but is tested for impairment at least annually pursuant to IAS 36. Other intangible assets are amortised on a straight-line basis over the expected economic life, which ranges from three to eight years.

8. Property and equipment

Property and equipment includes land and buildings, assets held under operating leases (including but not limited to ships, aircrafts, aero engines and shipping container boxes), leasehold improvements as well as operating and office equipment. Items of property and equipment are initially recognised at cost. The cost includes the purchase price as well as transaction costs in the form of fees/commissions paid and capitalised borrowing costs in accordance with IAS 23. Subsequent measurement of items of property and equipment is based on their cost less any accumulated depreciation and any accumulated impairment losses, according to the cost model mentioned in IAS 16. The useful lives of items of property and equipment are as follows.

Asset category	Useful life	Depreciation method
Land and buildings	50 years	straight-line depreciation
Operating and office equipment	3–15 years	straight-line depreciation
Leased assets	3–25 years	straight-line depreciation
Leasehold improvements	10 years	straight-line depreciation

8.1 Leasing

In accordance with IAS 17, a lease is classified as an operating lease if it does not transfer to the lessee substantially all the risks and rewards incidental to ownership. In contrast, a lease is classified as a finance lease if it transfers substantially all risks and rewards to the lessee.

8.1.1 The Group as lessor

If beneficial ownership of the leased asset remains with the Group company, then the lease can be regarded as an operating lease. The leased assets are carried at cost less any depreciation accumulated over the useful life. If there is a guaranteed residual value for the leased asset at the end of the lease term, the asset is depreciated on a straight-line basis over the term of the lease down to the guaranteed residual value.

Revenue generated from leases is recognised on a straight-line basis over the lease term, unless another amortisation method is appropriate, and reported in net interest income.

If almost all risks and rewards incidental to ownership of the leased asset are transferred to the lessee (finance lease), DVB recognises a receivable due from the lessee. This receivable is measured at the amount of the net investment in the lease at the time the lease is concluded. Received lease payments are divided into an interest element, which is recognised in profit or loss, and a capital portion. Income is recognised on an accrual basis as interest income.

8.1.2 The Group as lessee

The lease payments under operating leases are recognised in general administrative expenses. The expense is determined by analogy with a lease payment on a systematic basis which is representative of the time pattern of the user's benefit. During the business year 2008, there were no contractual arrangements that had to be classified as finance leases.

8.2 Impairment of intangible assets, and property and equipment, and reversals of impairment losses

Intangible assets, and property and equipment, are tested for impairment at least annually. Opinions prepared by external experts are predominantly used as a basis to determine the value of property and equipment. If the recoverable amount determined on this basis has fallen below amortised cost, or below cost less any accumulated depreciation and any accumulated impairment losses, as the case may be, as at the balance sheet date, a write-down for impairment is made.

If it is established during an impairment test that the reasons for impairment previously recognised in profit or loss no longer exists, the relevant impairment loss is reversed, except in the case of goodwill.

9. Current and deferred taxes

Current and deferred taxes are accounted for pursuant to the provisions of IAS 12 "Income Taxes". Accordingly, deferred taxes have to be recognised for differences in the carrying amounts of assets and liabilities in the IFRS balance sheet and the tax accounts, to the extent that such differences will reverse in future. Deferred income tax assets on tax loss carryforwards are recognised when the timing and the amount of their recoverability in the future can be reliably determined.

10. Deposits from customers and other banks

Deposits from customers mainly comprise customer deposits and promissory note loans held by customers. The item "Deposits from other banks" includes borrowings from other banks, money market placements as well as promissory note loans held by banks.

The deposits are predominantly measured at amortised cost on the basis of the original effective interest rate. Individual deposits from customers and other banks are measured at fair value under the fair value option in order to eliminate accounting mismatches. Changes in the fair value are reported in the result from the application of the fair value option.

11. Securitised liabilities

The item "Securitised liabilities" includes in particular commercial paper, bearer bonds and mortgage bonds (Pfandbriefe) issued by DVB Bank SE. Items of this category are generally measured at amortised cost, which is determined using the effective interest method.

12. Provisions

This item includes defined benefit pension obligations, provisions for early retirement, partial retirement and jubilee payments, as well as other provisions.

DVB Bank SE offers its employees defined benefit obligations for post-employment benefits. The amount of the retirement benefit obligations is based on the remuneration and the length of service of the relevant employee in the Group. A portion of the pension obligations is covered by reinsurance policies.

The pension obligations can be distinguished with regard to the base amount, which is granted for a number of years of service, and the top-up amount, which applies when the period of service exceeds 25 years. They additionally include a commitment for benefits to surviving dependants (widow(er)s and orphans) as well as for benefits in the case of invalidity.

The defined benefit obligations are measured in accordance with IAS 19, taking into account expected salary and pension increases using the projected unit credit method. Actuarial gains and losses are recognised directly in equity when they occur.

The other provisions are measured in accordance with IAS 37 using the best estimate of the expected future expenses required to settle the obligation.

13. Subordinated liabilities

The item “Subordinated liabilities” includes subordinated loans from banks, subordinated bearer bonds and profit-participation rights issued by DVB Bank SE, as well as silent partnership contributions. The items are predominantly measured at amortised cost using the effective interest method. Certain subordinated financial instruments are measured at fair value through profit or loss under the fair value option in order to eliminate accounting mismatches.

14. Equity

Equity represents the residual interest in the assets of a company after deducting all of its liabilities. At DVB Group, it comprises subscribed capital, capital reserve and retained earnings as well as specific reserves resulting from the application of IAS 39 in order to temporarily recognise certain gains or losses from re-measurement. This mainly includes the revaluation reserve for available-for-sale financial instruments as well as the hedging reserve for cash flow hedges. The individual components of the treasury shares held by DVB Bank SE are deducted from equity using the so-called “par value method”. Gains and losses arising from transactions with treasury shares are recognised directly in equity.

15. Employee participation schemes

In the business year 2008, DVB introduced a Long-Term Incentive Plan (LTI) for its employees, which replaces the employee participation scheme "DVB shares" which expired in 2007.

Under the LTI programme, a bonus will be paid to employees who were employed by the Bank as at the grant date, provided the Bank achieves its performance goal in the target year. The Bank's performance is measured on the basis of the return on equity (RoE).

Notes to the consolidated income statement

16. Net interest income

Net interest income can be broken down as follows in the year under review:

€ mn	**2008**	2007	%
Interest income from			
lending and money market transactions	768.6	706.5	8.8
bonds and other fixed-income securities	4.9	5.6	–12.5
operating leases	95.5	67.8	40.9
Current income from			
equity investments and other investment securities	3.9	17.5	–77.7
Interest income	**872.9**	**797.4**	**9.5**
Interest expenses for			
deposits	465.3	398.3	16.8
securitised liabilities	136.5	144.4	–5.5
subordinated liabilities	33.1	38.4	–13.8
operating leases	44.8	26.4	69.7
Interest expenses	**679.7**	**607.5**	**11.9**
Net interest income	**193.2**	**189.9**	**1.7**

The transfer of the hedging reserve for cash flow hedges to the income statement due to the receipt of hedged interest payments denominated in US dollar resulted in income of €2.6 million (2007: income of €3.0 million), which is reported in the item "Interest income from lending and money market transactions". This compares with a correspondingly lower interest income from US dollar loans.

Interest income from financial instruments not measured at fair value through profit or loss amounts to €772.8 million (2007: €706.4 million), and interest expense amounts to €625.3 million (2007: €571.2 million) in the business year.

Net interest income includes interest income in the amount of €9.4 million (2007: €13.9 million) attributable to impaired loans and advances.

17. Allowance for credit losses

The allowance for credit losses changed as follows:

€ mn	**2008**	2007	%
Additions	45.9	40.0	14.8
Reversals	–29.3	–20.6	42.2
Direct write-offs	0.8	1.0	–20.0
Recoveries on loans and advances previously written off	–0.9	–0.1	–
Total	**16.5**	**20.3**	**–18.7**

The distribution of the allowance for credit losses by business division is described in the opportunities and risk report of the management report (see page 120-121).

18. Net fee and commission income

Net fee and commission income can be broken down as follows in the year under review:

€ mn	2008	2007	%
Fee and commission income from			
payment transactions	0.0	1.2	–
guarantees and indemnities	4.1	2.3	78.3
the lending business	95.2	75.2	26.6
Other fee and commission income	10.2	14.0	–27.1
Fee and commission income	**109.5**	**92.7**	**18.1**
Fee and commission expenses from			
the securities business	0.1	0.0	–
payment transactions	0.2	0.3	–33.3
guarantees and indemnities	0.9	1.2	–25.0
the lending business	1.3	1.3	0.0
Other fee and commission expenses	1.5	5.1	–70.6
Fee and commission expenses	**4.0**	**7.9**	**–49.4**
Net fee and commission income	**105.5**	**84.8**	**24.4**

Any commitment interest on irrevocable loan commitments that is received is deferred on the liability side over the term of the loan commitment and recognised as interest income over the term of the underlying loan using the effective interest method. Interest on commitments for roll-over loans with interest rates fixed over a short period of time is recognised at the date of payment, and shown as fee and commission income from lending business.

Fee and commission income from financial instruments not measured at fair value through profit or loss amounts to €95.2 million (2007: €75.2 million); fee and commission expenses amount to €1.3 million (2007: €1.3 million) in the business year.

19. Net income from financial instruments in accordance with IAS 39

Net income from financial instruments in accordance with IAS 39 is divided into net trading income, the hedge result, the result from the application of the fair value option, the result from derivatives entered into without intention to trade and net income from investment securities.

€ mn	2008	2007	%
Net trading income	0.1	–6.2	–
Hedge result	–13.7	–3.8	–
Result from the application of the fair value option	0.8	0.4	–
Result from derivatives entered into without intention to trade	–7.2	–1.4	–
Net income from investment securities	–34.1	17.1	–
Net income from financial instruments in accordance with IAS 39	**–54.1**	**6.1**	**–**

19.1 Net trading income

Net trading income can be broken down as follows in the year under review:

€ mn	2008	2007	%
Net trading income from			
derivatives	4.8	–3.0	–
foreign currency transactions	–0.4	–4.8	–91.7
interest and dividend payments	–5.1	1.3	–
other	0.8	0.3	–
Total	**0.1**	**–6.2**	**–**

A result from re-measurement reported in net trading income amounting to €–0.7 million (2007: €–6.2 million) was determined on the basis of measurement models.

19.2 Hedge result (hedge accounting)

The hedge result can be broken down as follows in the year under review:

€ mn	**2008**	2007	%
Result from re-measurement			
Result from derivatives	9.0	–136.3	–
Result from hedged items	–23.7	132.5	–
Result from re-measurement	**–14.7**	**–3.8**	**–**
Ineffectiveness of cash flow hedges	1.0	0.0	–
Total	**–13.7**	**–3.8**	**–**

The entire result from re-measurement of hedging relationships, amounting to €–13.7 million (2007: €–3.8 million), was determined on the basis of measurement models.

19.3 Result from the application of the fair value option

The result from the application of the fair value option includes changes in the fair value of those non-derivative financial instruments that have to be accounted for and measured at fair value through profit or loss due to the exercise of the underlying option. To the extent that these non-derivative financial instruments are not part of an economic hedging relationship with derivative financial instruments, the gains or losses from re-measurement of the derivative financial instruments are also included in this item.

€ mn	2008	2007	%
Items designated as at fair value through profit or loss			
Loans and advances to customers	0.9	0.3	–
Deposits from customers and other banks	–0.4	3.6	–
Securitised liabilities and subordinated loans	0.0	0.3	–
Economic derivative hedging instruments	0.3	–3.8	–
Total	**0.8**	**0.4**	**–**

The entire re-measurement result from the application of the fair value option, amounting to €0.8 million (2007: €0.4 million), was determined on the basis of measurement models.

The accumulated changes in the fair value of financial assets and financial liabilities as a result of credit quality issues amount to €0.0 million (2007: €–0.3 million) and €0.5 million (2007: €0.0 million), respectively as at the balance sheet date. This resulted in income from changes in the fair value as a result of credit quality issues in the amount of €0.3 million for financial assets and €0.5 million for financial liabilities. The changes in the previous year were below €0.1 million in both cases.

19.4 Result from derivatives entered into without intention to trade

The result from derivatives entered into without intention to trade includes results from re-measurement of economic hedging derivatives which are not part of an effective hedging relationship with regard to transactions in the banking book in accordance with IAS 39.

€ mn	2008	2007	%
Interest-rate derivatives	–7.2	–1.4	–
Total	**–7.2**	**–1.4**	**–**

The entire result from re-measurement of derivatives entered into without intention to trade, amounting to €–7.2 million (2007: €–1.4 million), was determined on the basis of measurement models.

19.5 Net income from investment securities

Net income from investment securities can be broken down as follows in the year under review:

€ mn	2008	2007	%
Result from			
investment securities measured at amortised cost	0.5	0.2	–
investment securities available for sale	–35.8	16.9	–
Result from the disposal of investment securities accounted for using the equity method	1.2	0.0	–
Net income from investment securities	**–34.1**	**17.1**	**–**

Net income from investment securities includes expenses from the application of measurement models in the amount of €–35.8 million (2007: €0.0 million). The expenses exclusively result from a write-down of a bond of an Icelandic bank down to its expected recoverable amount. The bond was held by DVB at the ECB as a liquidity reserve for payment transactions. The write-down is shown in the “Other/Reconciliation/Consolidation” segment of the segment report.

20. Result from investments accounted for using the equity method

The result from investments accounted for using the equity method can be broken down as follows in the year under review:

€ mn	2008	2007	%
Result from joint ventures accounted for using the equity method	0.0	3.7	–
Total	**0.0**	**3.7**	**–**

21. General administrative expenses

General administrative expenses were as follows in the year under review:

€ mn	2008	2007	%
Staff expenses			
Wages and salaries	76.8	74.3	3.4
Social security contributions	6.7	5.5	21.8
Expenses for pensions and other employee benefits	7.8	8.2	–4.9
Total staff expenses	**91.3**	**88.0**	**3.8**
Non-staff expenses			
Expenses for temporary staff	2.6	1.5	73.3
Contributions and fees	3.2	4.6	–30.4
Legal and auditing fees	10.3	7.2	43.1
Other advisory services (incl. IT advisory)	11.1	9.1	22.0
IT costs	1.6	1.3	23.1
Occupancy expenses	10.1	10.6	–4.7
Procurement of information	2.4	2.3	4.3
Public relations	0.7	0.4	75.0
Ancillary labour costs	12.4	10.5	18.1
Other non-staff expenses	5.7	6.9	–17.4
Total non-staff expenses	**60.1**	**54.4**	**10.5**
Depreciation, amortisation, impairment and write-ups			
Property and equipment, and investment property	2.4	3.2	–25.0
Intangible assets	2.7	1.8	50.0
Total depreciation, amortisation, impairment and write-ups	**5.1**	**5.0**	**2.0**
Total general administrative expenses	**156.5**	**147.4**	**6.2**

In the year under review, minimum lease payments under operating leases in the amount of €4.6 million (2007: €0.3 million) were recognised as expenses. There were no contingent rents and sub-lease payments.

Legal and auditing fees include fees for auditors in the amount of €0.7 million (2007: €1.2 million). These fees are comprised of the following individual items:

€ mn	**2008**	2007	%
Auditing fees	0.7	1.0	–30.0
Tax advisory services	0.0	0.1	–
Other services	0.0	0.1	–
Fees for auditors	**0.7**	**1.2**	**–41.7**

22. Net other operating income/expenses

Net other operating income/expenses were as follows:

€ mn	2008	2007	%
Income from			
the disposal of property and equipment, and investment property	1.6	2.5	–36.0
rents	0.5	0.8	–37.5
the reversal of provisions	5.7	2.6	–
the recovery of taxes not related to income	3.2	0.3	–
Miscellaneous other income	25.1	7.9	–
Other operating income	**36.1**	**14.1**	**–**
Losses from the disposal of property and equipment, and investment property	0.1	0.8	–87.5
Expenses for taxes not related to income	0.4	0.6	–33.3
Miscellaneous other expenses	7.0	10.8	–35.2
Other operating expenses	**7.5**	**12.2**	**–38.5**
Net other operating income/expenses	**28.6**	**1.9**	**–**

Other operating income includes, amongst other things, current income in the amount of €7.2 million (2007: €1.1 million) from TES Holdings Ltd., which is included in the consolidated financial statements. This amount refers to sales revenue from operating activities.

23. Income tax expense

Income taxes are as follows in the year under review:

€ mn	**2008**	2007	%
Current taxes on income			
for the current year	–8.7	–18.9	–54.0
Deferred income taxes			
from temporary differences	13.7	7.9	73.4
Income taxes	**5.0**	**–11.0**	**–**

The following reconciliation shows the relationship between the expected tax expense and the actual tax expense:

€ mn	**2008**	2007	%
Result from ordinary activities before tax	100.2	118.7	–15,6
Tax rate in the Group (%)	31.9	40.9	–
Expected income tax expense	**–32.0**	**–48.5**	**–34.2**
Tax effects on permanent differences	5.6	2.8	–
Tax rate differences with regard to earnings components that are subject to taxation in other countries	25.3	32.2	–21.4
Tax decreases/increases due to changes in tax rates	6.1	2.5	–
Tax effects	**37.0**	**37.5**	**–1.3**
Current taxes	–8.7	–18.9	–54.0
Deferred taxes	13.7	7.9	73.4
Reported income taxes	**5.0**	**–11.0**	**–**

The expected tax rate for the Group is composed of the corporate income tax rate of 15.0%, which is currently applicable in Germany, plus a solidarity surcharge of 5.5%, as well as an average trade tax rate of 460% applicable for Frankfurt/Main. The expected Group tax rate, based on these rates, is 31.9%.

Deferred tax income of €13.7 million is attributable to the recognition or reversal of temporary differences (2007: €7.9 million).

24. Segment reporting

24.1 General information on segment reporting

The segment report illustrates how the individual business divisions contribute to DVB Group's earnings. The segment report is based on the internal management reporting system and thus complies with the requirements of IFRS 8. IFRS 8 requires that segment information shall be presented on the basis of internal management reporting as regularly used by the chief operating decision maker to make a decision on the allocation of resources to the segments and to assess performance.

The requirements of IFRS 8 are required to be applied for the first time for business years beginning on or after 1 January 2009. In accordance with a recommendation for early application, DVB has applied IFRS 8 since its consolidated financial statements for the business year 2007.

24.2 Segmentation, reconciliation and consolidation

DVB focuses on its core segments Shipping Finance, Aviation Finance, Land Transport Finance and Investment Management. The other activities, reconciliation items as well as amounts from consolidation adjustments are reported under "Other/Reconciliation/Consolidation".

The segments Shipping Finance, Aviation Finance and Land Transport Finance include the market- and sector-specific activities of the core Structured Asset Financing business. The traditional business with collateralised loans is supplemented with customised structured financings and advisory services. Each segment has its own research and risk management functions.

The Investment Management segment comprises all fund management activities as well as transactions where the Group holds a stake in the equity capital of companies.

The other, smaller activities of the Group (e. g. ITF Suisse), as well as the D-Marketing portfolio (which is being phased out) and the Transport Infrastructure Finance portfolio, which is intended to be discontinued, are included in the column "Other/Reconciliation/Consolidation". In addition, this segment includes those equity investments that are not allocated to the operating segments, and includes income from treasury transactions related to liquidity and capital structure management. Moreover, this segment includes the central support and management functions as well as significant overheads which the Bank does not allocate to the operating entities as it assumes that these cannot be directly influenced by the respective management and therefore no direct control factor can be identified. The segment also comprises expenses and income that are necessary in order to reconcile financial indicators used for internal management accounting, which are shown in the segment report of the operating business units, to the corresponding external financial reporting data, as well as amounts from consolidation adjustments.

24.3 Methodology of presentation and measurement principles

Income and expenses are generally reported at market prices and allocated to the responsible business division. Interest income and expenses are allocated to the relevant segments using market interest rates. Costs are only allocated to the operating business divisions of DVB for which they are directly responsible. General costs of operations, overheads or, for example, IT costs are not allocated to the operating business divisions. In addition, DVB's internal management reporting does not take into account taxes on income.

Income or costs from trading activities and exchange rate hedging (hedge accounting) are not allocated to the segments as central functions are responsible for such transactions. Only in exceptional cases do business divisions initiate such transactions (Investment Management).

Intersegment, intra-group transactions are only undertaken to an insignificant degree and are entered into on an arm's length basis.

Since the interest result of the segments is determined on a net basis primarily on the basis of market interest rates and, moreover, with internal service relationships only existing to an insignificant degree, consolidation adjustments are necessary only in an insignificant amount. They are reported under "Other/Reconciliation/Consolidation". In accordance with the internal management approach, application of the market interest rate method also results in interest income and interest expenses being presented on a net basis.

Investment income from equity capital is allocated to net interest income of the relevant segment in relation to the average allocated investor capital. The interest rate used is a market rate which is typical for the refinancing of DVB.

Segment assets exclusively comprise the relevant segment's loan portfolios, represented by the risk-weighted assets in accordance with Grundsatz I of the German Banking Act (Basel I). The transition to risk-weighted assets in accordance with the so-called Basel II approach will be implemented in 2009.

24.4 Performance measurement

The success of the Group and of each segment is determined on the basis of earnings before tax (result from ordinary activities before tax) as well as the indicators return on equity and cost/income ratio.

The cost/income ratio is defined as the ratio of administrative expenses and net revenues, including minority interests, but excluding the allowance for credit losses.

The return on equity is the ratio of net profit before taxes to investor capital on average for the year (issued share capital, capital reserve, retained earnings excluding fund for general banking risks and excluding additions to retained earnings and including minority interests).

The average investor capital is allocated to the segments in proportion to the segments' economic risks, represented by the average utilisation of economic risk capital.

24.5 No segment results by region

DVB manages its business activities exclusively by business division. Each business division operates on a global scale. Therefore, the Bank does not follow regional management approaches and thus does not present information on geographical segment results due to the minor relevance and the disproportionately high effort to collect data.

€ mn	Group		Shipping Finance		Aviation Finance		Land Transport Finance		Investment Management		Other/ Reconciliation/ Consolidation	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Net interest income after allowance for credit losses	176.7	169.6	47.4	62.7	52.0	45.8	15.1	6.2	62.4	31.4	–0.2	23.5
Net interest income	193.2	189.9	72.6	71.0	51.5	48.2	11.9	9.7	62.4	31.4	–5.2	29.6
Allowance for credit losses	–16.5	–20.3	–25.1	–8.3	0.5	–2.4	3.2	–3.5	0.0	0.0	4.9	–6.1
Net fee and commission income	105.5	84.8	68.1	60.7	29.9	21.1	4.3	2.2	4.2	–5.1	–1.0	5.9
Net income from financial instruments in accordance with IAS 39	–54.1	6.1	1.0	3.5	–2.6	1.3	0.5	0.4	–9.6	12.3	–43.4	–11.4
Result from investments accounted for using the equity method	0.0	3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.7	0.0	0.0
Net other operating income/expenses	28.6	1.9	0.0	–2.1	–0.2	1.4	0.0	0.3	16.2	0.2	12.6	2.1
Income	**256.7**	**266.1**	**116.6**	**124.8**	**79.1**	**69.6**	**20.0**	**9.1**	**73.2**	**42.5**	**–32.1**	**20.1**
General administrative expenses	–156.5	–147.4	–32.2	–31.1	–15.0	–12.2	–3.2	–3.1	–19.2	–12.9	–87.0	–88.1
Staff expenses	–91.4	–88.0	–25.3	–25.5	–11.7	–8.8	–2.7	–2.6	–10.6	–5.9	–41.2	–45.2
Non–staff expenses	–60.0	–54.4	–6.8	–5.4	–3.3	–2.8	–0.5	–0.5	–8.6	–6.9	–40.8	–38.7
Depreciation, amortisation, impairment and write–ups	–5.1	–5.0	–0.1	–0.1	0.0	–0.6	0.0	0.0	0.0	0.0	–5.0	–4.2
Result from ordinary activities before tax	**100.2**	**118.7**	**84.4**	**93.7**	**64.0**	**57.4**	**16.8**	**6.0**	**54.0**	**29.6**	**–119.1**	**–68.0**
Cost/income ratio [1]	**57.4%**	**51.2%**	**22.7%**	**23.4%**	**19.1%**	**16.9%**	**18.9%**	**24.6%**	**26.3%**	**29.3%**	**–**	**–**
Return on equity [2]	**13.1%**	**20.4%**	**44.8%**	**42.7%**	**46.4%**	**49.4%**	**35.9%**	**10.0%**	**22.4%**	**20.5%**	**–**	**–**
Risk-weighted assets in accordance with Basel I (average)	**15,016.3**	**11,815.7**	**7,932.9**	**6,388.8**	**4,062.8**	**3,125.2**	**1,142.1**	**921.2**	**494.7**	**297.0**	**1,383.9**	**1,083.5**

1) excl. allowance for credit losses
2) before taxes

Notes to the balance sheet

25. Cash and balances with the central bank

€ mn	2008	2007	%
Cash on hand	1.9	0.0	–
Balances with the central bank	641.0	276.6	–
Total	**642.9**	**276.6**	**–**

This item includes a minimum reserve requirement in the amount of €41.3 million (2007: €36.0 million).

26. Loans and advances to banks

€ mn	2008	2007	%
Loans and advances	108.6	146.8	–26.0
thereof: payable on demand	65.1	127.4	–48.9
thereof: with a limited term	43.5	19.4	–
Money market transactions	213.1	1,371.9	–84.5
thereof: payable on demand	194.0	66.9	–
thereof: with a limited term	19.1	1,305.0	–98.5
Other loans and advances to banks	0.0	0.1	–
Total	**321.7**	**1,518.8**	**–78.8**
German banks	57.9	1,208.4	–95.2
Foreign banks	263.8	310.4	–15.0
Total	**321.7**	**1,518.8**	**–78.8**

27. Loans and advances to customers

€ mn	2008	2007	%
Loans and advances	14,297.5	10,098.8	41.6
thereof: payable on demand	141.9	83.4	70.2
thereof: with a limited term	14,155.6	10,015.4	41.3
Money market transactions	0.0	16.7	–
thereof: payable on demand	0.0	16.7	–
thereof: with a limited term	0.0	0.0	–
Other loans and advances to customers	24.2	9.2	–
Total	**14,321.7**	**10,124.7**	**41.5**
German customers	1,271.4	1,135.0	12.0
Foreign customers	13,050.3	8,989.7	45.2
Total	**14,321.7**	**10,124.7**	**41.5**

Loans and advances also include items with a carrying amount of €12.3 million (2007: €13.2 million) which are measured at fair value through profit or loss under the fair value option.

As at 31 December 2008, the Bank had finance leases for ships, shipping container boxes, airplanes and aero engines with a total lease term between 5 and 14 years. These leases are reported under loans and advances with a limited term in an amount of €423.7 million (2007: €191.3 million). As at 31 December 2008, there were no lease payments outstanding.

€ mn	2008	2007	%
Total lease payments	557.9	249.1	–
Guaranteed residual value	53.1	8.3	–
Gross investment value	611.0	257.4	–
thereof: within 1 year	109.6	30.0	–
thereof: within 1 to 5 years	224.1	116.9	91.7
thereof: after more than 5 years	277.3	110.5	–
Total gross investment	**611.0**	**257.4**	**–**
Less unearned finance income	187.3	66.1	–
Total net investment	**423.7**	**191.3**	**–**
thereof: within 1 year	109.3	30.0	–
thereof: within 1 to 5 years	125.6	80.2	56.6
thereof: after more than 5 years	188.8	81.1	–

28. Allowance for credit losses

The allowance for credit losses is based on rules applied consistently throughout the Group and covers all identifiable risks. For losses incurred, but not yet identified, a portfolio-based valuation allowance (portfolio impairment) is recognised on the basis of historical experience. Allowances for country risks were not required.

€ mn	Specific valuation allowances		Portfolio impairment		**Total**	
	2008	2007	**2008**	2007	**2008**	2007
Balance as at 1 Jan	105.2	123.7	8.0	7.0	113.2	130.7
Additions	44.6	39.7	1.4	1.2	46.0	40.9
Reversals	49.8	52.1	2.0	0.2	51.8	52.3
thereof: utilised	22.6	31.8	–	–	22.6	31.8
thereof: released	27.2	20.3	2.0	0.2	29.2	20.5
Changes resulting from exchange rate fluctuations	0.3	–6.1	–	–	0.3	–6.1
Balance as at 31 Dec	**100.3**	**105.2**	**7.4**	**8.0**	**107.7**	**113.2**

The allowance for credit losses of €107.7 million (2007: €113.2 million) exclusively relates to loans and advances to customers.

The distribution of the allowance for credit losses by business division is described in the opportunities and risk report (see pages 120–121).

29. Positive fair values of derivative hedging instruments

€ mn	**2008**	2007	%
Hedging instruments with positive fair values			
Interest rate products	267.2	100.2	–
Currency–related products	0.0	11.6	–
Total	**267.2**	**111.8**	**–**

30. Financial assets held for trading

€ mn	2008	2007	%
Derivative financial instruments with positive fair values			
Interest rate products	187.3	43.2	–
Currency–related products	344.0	104.5	–
Other products	0.0	2.1	–
Total	**531.3**	**149.8**	**–**

31. Investment securities

€ mn	2008	2007	%
Bonds and other fixed-income securities	75.4	116.0	–35.0
thereof: bonds and notes	75.4	116.0	–35.0
Equities and other non-fixed-income securities	6.0	21.5	–72.1
Equity investments	48.8	52.8	–7.6
Total	**130.2**	**190.3**	**–31.6**

Equity investments also include equity instruments measured at cost in an amount of €48.8 million (2007: €52.8 million). Neither market prices could be identified on an active market, nor fair values reliably estimated for these instruments.

Gains from the disposal of equity instruments measured at cost were recognised in profit or loss in the amount of €0.5 million (2007: €0.0 million).

32. Investments in companies accounted for using the equity method

€ mn	**2008**	2007	%
Investments/interests in			
associates	24.9	24.3	2.5
joint ventures	5.4	10.4	–48.1
Total	**30.3**	**34.7**	**–12.7**

Investments in associates and interests in joint ventures exclusively relate to equity investments held by NFC Shipping Funds and Deucalion Aviation Funds.

The financial data of associates accounted for using the equity method are as follows, irrespective of the respective interest held by DVB:

€ mn	**2008**	2007	%
Assets	72.0	93.7	–23.2
Liabilities	44.5	90.3	–50.7
Income	294.6	204.4	44.1
Profit or loss for the period	–7.9	–4.9	61.2

The financial data of joint ventures accounted for using the equity method are as follows, based on the respective interest held by DVB:

€ mn	**2008**	2007	%
Assets	46.6	10.4	–
Liabilities	45.8	9.4	–
Income	10.1	19.4	–47.9
Expenses	10.6	12.0	–11.7

33. Intangible assets

€ mn	**2008**	2007	%
Goodwill	98.8	84.3	17.2
Other intangible assets	5.8	5.2	11.5
Total	**104.6**	**89.5**	**16.9**

34. Property and equipment

€ mn	**2008**	2007	%
Land and buildings	13.3	7.5	77.3
Operating and office equipment	4.5	4.6	–2.2
Assets held under operating leases	949.3	673.4	41.0
Other property and equipment	17.8	2.2	–
Total	**984.9**	**687.7**	**43.2**

As at 31 December 2008, Group companies were lessors of ships, aircrafts, aero engines and container boxes provided under operating leases. The lease term was six to ten years for ships, three to 21 years for aircrafts, one to seven years for aero engines, and eleven years for shipping container boxes.

During the year under review, borrowing costs for qualifying assets in operating leases were capitalised in accordance with IAS 23 in the amount of €19.7 million (2007: €1.1 million). This corresponds to an average capitalisation rate of 3.8%. In addition, payments of agency commissions and legal fees in the amount of €4.2 million (2007: €4.0 million) were included in the cost.

The sum of future minimum lease payments as at 31 December 2008 was as follows:

€ mn	**2008**	2007	%
Total minimum lease payments			
due within 1 year	84.7	56.3	50.4
due within 1 to 5 years	211.1	217.8	–3.1
due after more than 5 years	125.7	100.2	25.4
Total	**421.5**	**374.3**	**12.6**

35. Statement of changes in non-current assets

Depreciation, amortisation and impairment of land and buildings, operating and office equipment, software and other intangible assets are recognised in the item "Depreciation, amortisation, impairment and write-ups", which is included in general administrative expenses.

Goodwill is not amortised on a systematic basis. An impairment loss has to be recognised when the recoverable amount of a cash generating unit to which goodwill has been allocated is less than its carrying amount.

Goodwill has been allocated to the following cash-generating units, which correspond to the respective operating segments:

€ mn	2008
Shipping Finance	74.7
Aviation Finance	8.0
Investment Management	16.1
Total	**98.8**

The impairment tests performed as at the balance sheet date on the basis of the value in use did not result in any write-downs for impairment. The value in use is determined on the basis of a medium-term, five-year projection for all material income and expense components. A constant earnings situation was assumed for periods of five years. The discount rates used were determined on the basis of the Capital Asset Pricing Model, which includes a risk-free interest rate, a market risk premium and a factor for the systematic risk (beta factor). The values for the risk-free interest rate, the market risk premium and the beta factor are determined using external information sources. Business-specific beta factors are based on a corresponding group of peer companies. Fluctuations of the above-mentioned components may affect the calculation of the discount rates. The discount rates used in the business year 2008 for the cash-generating units range between 11.0% and 15.0%.

Intangible assets include internally-generated assets with a carrying amount of €0.5 million (2007: €0.7 million).

€ mn	Cost 1 Jan	Additions	Disposals	Reclassi- fications	Exchange rate changes	Cost 31 Dec	Write-ups
Land and buildings	10.0	8.2	2.4	0.2	0.0	16.0	0.0
Operating and office equipment	19.3	2.0	5.7	0.0	0.0	15.6	0.0
Leased assets	715.7	682.8	465.7	0.0	105.6	1,038.4	0.0
Other property and equipment	2.2	31.8	14.3	–1.7	0.0	18.0	1.6
Intangible assets (excl. goodwill)	11.3	2.0	0.0	1.5	0.0	14.8	0.0
Goodwill	84.3	15.1	0.6	0.0	0.0	98.8	0.0
Total	**842.8**	**741.9**	**488.7**	**0.0**	**105.6**	**1,201.6**	**1.6**

Depreciation and amortisation	Depreciation, amortisation and impairment previous year	Depreciation, amortisation and impairment disposals	Exchange rate changes, depreciation, amortisation and impairment	Cumulative depreciation, amortisation, impairment and write-ups	**Carrying amount as at 31 Dec**	Carrying amount as at 31 Dec previous year
0.2	2.6	0.1	0.0	2.7	13.3	7.5
1.9	14.7	5.6	0.1	11.1	4.5	4.6
44.8	42.3	12.5	14.5	89.1	949.3	673.4
0.2	1.7	0.0	–0.1	0.2	17.8	2.2
2.7	6.0	0.0	0.3	9.0	5.8	5.2
0.0	0.0	0.0	0.0	0.0	98.8	84.3
49.8	**67.3**	**18.2**	**14.8**	**112.1**	**1,089.5**	**777.2**

36. Income tax assets

€ mn	**2008**	2007	%
Current income tax assets			
Germany	1.9	0.1	–
Foreign countries	0.4	2.9	–34.5
Deferred income tax assets			
Temporary differences	76.8	36.3	–
Total	**79.1**	**39.3**	**–**

No income tax assets were recognised in the Group on tax loss carryforwards in the amount of €12.6 million (2007: €20.3 million), since DVB expects that it will not necessarily generate taxable profits in the countries in which the tax loss carryforwards exist.

Deferred income tax assets were recognised for the following balance sheet items:

€ mn	2008	2007	%
Financial assets held for trading	40.6	30.5	33.1
Provisions	4.5	2.9	55.2
Deposits from customers and other banks	27.0	1.5	–
Other balance sheet items	4.7	1.1	–
Loans and advances to banks and customers, incl. allowance for credit losses	0.0	0.2	–
Securitised liabilities	0.0	0.1	–
Total	**76.8**	**36.3**	**–**

The Bank recognised deferred tax assets in the amount of €3.3 million (2007: €2.0 million) directly in equity.

37. Other assets

€ mn	2008	2007	%
Receivables from taxes not related to income	3.5	1.2	–
Advance payments and prepaid expenses	3.4	3.3	3.0
Miscellaneous other assets	63.7	40.0	59.3
Total	**70.6**	**44.5**	**58.7**

38. Deposits from other banks

€ mn	2008	2007	%
Loans and advances	4,628.2	2,719.7	70.2
thereof: payable on demand	25.6	40.6	–36.9
thereof: with a limited term	4,602.6	2,679.1	71.8
Money market transactions	2,511.1	1,336.3	87.9
thereof: payable on demand	417.0	551.0	–24.3
thereof: with a limited term	2,094.1	785.3	–
Other deposits from other banks	5.6	1.9	–
Total	**7,144.9**	**4,057.9**	**76.1**
German banks	6,304.4	3,378.7	86.6
Foreign banks	840.5	679.2	23.8
Total	**7,144.9**	**4,057.9**	**76.1**

Deposits from other banks also include such loans and advances with a total carrying amount of €79.3 million (2007: €78.7 million) which are measured at fair value through profit or loss under the fair value option. The difference between the carrying amount and the repayment amount is €2.4 million (2007: €1.9 million) as at the balance sheet date.

39. Deposits from customers

€ mn	2008	2007	%
Loans and advances	4,411.8	4,042.1	9.2
thereof: payable on demand	253.9	277.3	–8.4
thereof: with a limited term	4,157.9	3,764.8	10.5
Money market transactions	577.7	306.5	88.5
thereof: payable on demand	200.9	53.0	–
thereof: with a limited term	376.8	253.5	48.6
Other deposits from customers	21.9	13.7	59.9
Total	**5,011.4**	**4,362.3**	**14.9**
German customers	4,385.2	3,507.4	25.0
Foreign customers	626.2	854.9	–26.8
Total	**5,011.4**	**4,362.3**	**14.9**

Deposits from customers also include such loans and advances with a total carrying amount of €86.3 million (2007: €86.4 million) which are measured at fair value through profit or loss under the fair value option. The difference between the carrying amount and the repayment amount was €1.9 million (2007: €2.1 million) as at the balance sheet date.

40. Securitised liabilities

€ mn	2008	2007	%
Commercial paper	359.4	450.5	–20.2
Bearer bonds	2,363.2	2,481.3	–4.8
Total	**2,722.6**	**2,931.8**	**–7.1**

41. Negative fair values of derivative hedging instruments

€ mn	2008	2007	%
Hedging instruments with negative fair values			
Interest rate products	300.3	125.8	–
Currency-related products	7.7	0.0	–
Total	**308.0**	**125.8**	**–**

42. Financial liabilities held for trading

€ mn	2008	2007	%
Derivative financial instruments with negative fair values			
Interest rate products	180.4	45.3	–
Currency-related products	107.1	4.8	–
Other products	0.0	2.1	–
Total	**287.5**	**52.2**	**–**

43. Provisions

€ mn	2008	2007	%
Provisions for pension obligations	14.4	18.7	–23.0
Provisions for early and partial retirement	1.6	3.0	–46.7
Other provisions	38.8	73.8	–47.4
Total	**54.8**	**95.5**	**–42.6**

In the business year 2008, the provisions for pension obligations are presented for the first time separately from provisions for early and partial retirement. The comparative prior-year figures have been adjusted accordingly.

The pension obligations changed during the year under review as follows:

€ mn	2008	2007	%
Present value of the pension obligations as at 1 Jan (Defined Benefit Obligation, DBO)	32.6	31.2	4.5
Plan assets	–13.9	–13.0	6.9
Carrying amount of pension provisions as at 1 Jan	**18.7**	**18.2**	**2.7**
Change in the year under review			
Service cost	1.0	0.8	25.0
Interest expense	1.6	1.4	14.3
Expected return on plan assets	–0.7	–0.7	–
Actuarial gains and losses	–4.6	0.6	–
Benefits paid	–1.7	–1.6	6.3
Reclassifications			
DBO	1.0	0.0	–
Plan assets	–0.9	0.0	–
Carrying amount of pension provisions as at 31 Dec	**14.4**	**18.7**	**–23.0**
Present value of the pension obligations as at 31 Dec (DBO)	29.1	32.6	–10.7
Plan assets	–14.7	–13.9	5.8
Carrying amount of pension provisions as at 31 Dec	**14.4**	**18.7**	**–23.0**

The interest cost of €1.8 million (2007: €1.6 million) is recorded under staff expenses. The actual return on plan assets amounts to €0.7 million (2007: €0.7 million).

The funded status of the pension obligations is as follows:

€ mn	**2008**	2007	2006	2005	2004
Present value of pension obligations	29.1	32.6	30.2	29.7	25.1
Plan assets	–14.7	–13.9	–13.0	–11.3	–10.7
Total	**14.4**	**18.7**	**17.2**	**18.4**	**14.4**

The following experience adjustments were made in the business year under review:

€ mn	**2008**	2007	%
Experience adjustments of pension obligations	0.0	–0.1	–
Experience adjustments of plan assets	0.5	0.0	–

The calculation of the present value of the pension obligations is based on the following actuarial assumptions:

%	**2008**	2007
Discount rate	6.00	4.75
Expected salary increase	2.50	4.00
Pension increase	2.25	2.00
Expected return on plan assets	5.00	5.00

In the business year 2008, the Bank used the mortality tables called "Richttafeln 2005 G", by Prof. Klaus Heubeck for the measurement of the pension provisions related to the employees of DVB Bank SE.

Plan assets attributable to active members as at the reporting date can be broken down as follows:

Form of investment (%)	**2008**
Equities	25.0
Fixed-income financial instruments	65.0
Properties	10.0
Cash balances	0.0
Total	**100.0**

DVB expects additions to plan assets for the business year 2009 in the amount of €1.0 million.

Other provisions in the Group are as follows:

€ mn	**2008**	2007	%
Asset retirement obligations	1.0	1.0	–
Lending business	0.3	0.4	–25.0
Bonuses	31.2	28.9	8.0
Miscellaneous other provisions	6.3	43.5	–85.5
Total	**38.8**	**73.8**	**–47.4**

The provisions for bonuses mainly refer to bonus payments to employees of DVB and are likely to result in an outflow of resources in the following business year.

The provisions changed during the year under review as follows:

€ mn	Balance as at 1 Jan 2008	Allocation	Reversals	Utilisation	Exchange rate changes	**Balance as at 31 Dec 2008**
Asset retirement obligations	1.0	0.0	0.0	0.0	0.0	1.0
Lending business	0.4	0.0	–0.1	0.0	0.0	0.3
Bonuses	28.9	32.9	0.0	–28.6	–2.0	31.2
Miscellaneous other provisions	43.5	5.8	–1.8	–41.0	–0.2	6.3
Total	**73.8**	**38.7**	**–1.9**	**–69.6**	**–2.2**	**38.8**

The distribution of the provisions for losses on loans and advances by business division is described in the opportunities and risk report (see page 124).

44. Income tax liabilities

€ mn	**2008**	2007	%
Current income tax liabilities	26.6	35.5	–25.1
Deferred income tax liabilities	56.4	35.8	57.6
Total	**83.0**	**71.3**	**16.4**

Deferred income tax liabilities were recognised for the following balance sheet items:

€ mn	2008	2007	%
Loans and advances to banks and customers, incl. allowance for credit losses	47.3	5.8	–
Financial assets held for trading and hedging instruments	0.6	4.0	–85.0
Investment securities	0.3	0.2	50.0
Property and equipment	2.5	1.1	–
Deposits from customers and other banks	0.1	23.1	–99.6
Provisions	3.8	1.2	–
Other balance sheet items	1.8	0.4	–
Total	**56.4**	**35.8**	**57.6**

Deferred tax liabilities were recognised in the amount of €–0.8 million (2007: €4.2 million) directly in equity.

45. Other liabilities

€ mn	2008	2007	%
Other tax liabilities	2.2	2.0	10.0
Miscellaneous other liabilities	91.3	36.9	–
Total	**93.5**	**38.9**	**–**

46. Subordinated liabilities

€ mn	2008	2007	%
Subordinated promissory note loans	609.1	564.8	7.9
Subordinated bearer bonds	63.1	60.8	3.8
Total	**672.2**	**625.6**	**7.5**

As at the balance sheet date, subordinated liabilities do not include subordinated promissory note loans which are measured at fair value through profit or loss under the fair value option (2007: €10.2 million).

Other subordinated liabilities include minority interests in subsidiaries controlled by DVB which have to be reported as liabilities due to written put options in accordance with IAS 32.

47. Equity

Equity can be broken down as follows:

€ mn	2008	2007	%
Issued share capital	118.3	99.7	18.7
Capital reserve	335.2	195.8	71.2
Retained earnings	537.7	456.7	17.7
Revaluation reserve	–5.0	7.2	–
Hedging reserve – cash flow hedges	–15.1	9.0	–
Currency translation reserve	–1.5	3.3	–
Distributable profit	27.9	20.6	35.4
Total equity before minority interests	**997.5**	**792.3**	**25.9**
Minority interests	1.4	0.9	55.6
Equity	**998.9**	**793.2**	**25.9**

47.1 Issued share capital

As at the balance sheet date, the subscribed capital of DVB Bank SE consists of 46,467,370 (2007: 3,982,737) no-par value bearer shares.

The Board of Managing Directors and the Supervisory Board resolved on 11 June 2008 to increase the Bank's issued share capital. Specifically, it was agreed that 664,000 new no-par value bearer shares would be issued. The subscription price was €225.00. The capital increase was entered into the Commercial Register on 18 June 2008. As a result of this capital increase, the issued share capital was increased by €17.0 million.

The Annual General Meeting of DVB on 11 June 2008 passed a resolution on a 10-for-1 share split. The share split was entered into the Commercial Register on 7 August 2008. The share split resulted in an increase of the number of no-par value bearer shares by 41,820,633.

47.2 Capital reserve

The capital reserve includes the premium from the issuance of shares, including subscription rights, exceeding the nominal value or the accounting par value.

As a result of the capital increase, the capital reserve was increased by €132.5 million. In addition, the costs of the capital increase in the amount of €2.0 million were recorded in the capital reserve, in accordance with the provisions of IFRS.

47.3 Treasury shares

The treasury shares held by DVB Bank SE as at the balance sheet date are deducted from equity using the so-called "par value method". For this purpose, the treasury shares are divided into the components "Subscribed capital" and "Capital reserve". Gains or losses arising from transactions with treasury shares are offset against retained earnings.

47.4 Retained earnings

Retained earnings include the legal reserve, other retained earnings and the fund for general banking risks.

The legal reserve amounts to €1.3 million (2007: €1.3 million) and is subject to restrictions with regard to distribution to shareholders.

Other retained earnings comprise the undistributed profits of the Group, including the cumulative amounts resulting from consolidation adjustments recognised in profit or loss.

In addition, retained earnings also include the fund for general banking risks totalling €82.4 million (2007: €82.4 million).

47.5 Revaluation reserve

The revaluation reserve includes the changes in the fair value of financial assets available for sale, taking into account deferred taxes.

47.6 Hedging reserve – cash flow hedges

The hedging reserve for cash flow hedges includes measurement gains or losses from hedging instruments attributable to the effective portion of the hedging relationship, taking into account deferred taxes. The cash flows related to the hedging relationships will mainly be received by the Bank in the following business year.

47.7 Currency translation reserve

Currency translation differences resulting from the translation of financial statements of Group companies denominated in a foreign currency into euro (the Group currency) are recognised in the currency translation reserve.

47.8 Minority interests

Minority interests include the interest in equity of subsidiaries not attributable to DVB.

Notes to financial instruments

48. Carrying amounts of financial instruments by measurement categories

€ mn	31 Dec 2008							
		Financial instruments held for trading		Financial intruments held for hedging purposes				
	Fair value option	Non-derivative financial instruments	Derivative financial instruments	Fair value hedge	Cash flow hedge	Loans and receivables	Financial assets available for sale	Other liabilities
Financial assets								
Loans and advances to banks	0.0	0.0	0.0	0.0	0.0	321.7	0.0	0.0
Loans and advances to customers	12.3	0.0	0.0	0.0	0.0	14,309.4	0.0	0.0
Positive fair values of derivative hedging instruments	0.0	0.0	0.0	267.2	0.0	0.0	0.0	0.0
Financial assets held for trading	0.0	0.0	531.3	0.0	0.0	0.0	0.0	0.0
Investment securities	0.0	0.0	0.0	0.0	0.0	24.9	56.4	0.0
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**12.3**	**0.0**	**531.3**	**267.2**	**0.0**	**14,656.0**	**56.4**	**0.0**
Financial liabilities								
Deposits from other banks	79.3	0.0	0.0	0.0	0.0	0.0	0.0	7,068.2
Deposits from customers	86.3	0.0	0.0	0.0	0.0	0.0	0.0	4,925.1
Securitised liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,722.6
Negative fair values of derivative hedging instruments	0.0	0.0	0.0	300.3	7.6	0.0	0.0	0.0
Financial liabilities held for trading	0.0	0.0	287.5	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	672.2
Total	**165.6**	**0.0**	**287.5**	**300.3**	**7.6**	**0.0**	**0.0**	**15,388.1**

€ mn	31 Dec 2007							
		Financial instruments held for trading		Financial intruments held for hedging purposes				
	Fair value option	Non-derivative financial instruments	Derivative financial instruments	Fair value hedge	Cash flow hedge	Loans and receivables	Financial assets available for sale	Other liabilities
Financial assets								
Loans and advances to banks	0.0	0.0	0.0	0.0	0.0	1,518.8	0.0	0.0
Loans and advances to customers	13.2	0.0	0.0	0.0	0.0	9,998.3	0.0	0.0
Positive fair values of derivative hedging instruments	0.0	0.0	0.0	100.2	11.6	0.0	0.0	0.0
Financial assets held for trading	0.0	0.0	149.8	0.0	0.0	0.0	0.0	0.0
Investment securities	0.0	0.0	0.0	0.0	0.0	3.3	187.0	0.0
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**13.2**	**0.0**	**149.8**	**100.2**	**11.6**	**11,520.4**	**187.0**	**0.0**
Financial liabilities								
Deposits from other banks	78.7	0.0	0.0	0.0	0.0	0.0	0.0	3,979.2
Deposits from customers	86.4	0.0	0.0	0.0	0.0	0.0	0.0	4,275.9
Securitised liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,931.8
Negative fair values of derivative hedging instruments	0.0	0.0	0.0	125.8	0.0	0.0	0.0	0.0
Financial liabilities held for trading	0.0	0.0	52.2	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated liabilities	10.2	0.0	0.0	0.0	0.0	0.0	0.0	615.4
Total	**175.3**	**0.0**	**52.2**	**125.8**	**0.0**	**0.0**	**0.0**	**11,802.3**

49. Earnings contributions of financial instruments by measurement categories

€ mn	1 Jan 2008 – 31 Dec 2008 Recognition in the income statement Interest result	Allowance for credit losses	Net fee and commission income	Net income from financial instruments in accordance with IAS 39	Recognition in equity Measurement result
Financial assets and liabilities designated as at fair value through profit or loss	–8.9	–	–	0.5	–
Financial assets and liabilities held for trading	–8.3	–	–	–7.2	–
Loans and receivables	180.9	–16.5	96.8	–23.7	–
Financial assets available for sale	4.9	–	–	–34.1	–11.9
Other liabilities	–	–	8.7	0.4	–
Positive and negative fair values of derivative hedging instruments	–30.6	–	–	10.0	–16.7
Total	**138.0**	**–16.5**	**105.5**	**–54.1**	**–28.6**

€ mn	1 Jan 2007–31 Dec 2007 Recognition in the income statement				Recognition in equity
	Interest result	Allowance for credit losses	Net fee and commission income	Net income from financial instruments in accordance with IAS 39	Measurement result
Financial assets and liabilities designated as at fair value through profit or loss	–9.1	–	–	4.2	–
Financial assets and liabilities held for trading	–63.9	–	–	–11.4	–
Loans and receivables	172.8	–20.3	79.2	38.2	–
Financial assets available for sale	5.6	–	–	17.1	4.9
Other liabilities		–	1.2	94.3	–
Positive and negative fair values of derivative hedging instruments	20.6	–	–	–136.3	11.5
Total	**126.0**	**–20.3**	**80.4**	**6.1**	**16.4**

50. Changes in expenses and income directly recognised in equity

€ mn	AfS-revaluation reserve	Hedging reserve – cash flow hedges	Currency translation reserve
Balance as at 1 Jan 2007	**20.4**	**3.7**	**–2.9**
Changes due to measurement of assets and liabilities	4.8	8.6	6.2
Transfer to income statement	–18.1	–1.8	0.0
Deferred taxes	0.1	–1.5	0.0
Balance as at 31 Dec 2007	**7.2**	**9.0**	**3.3**
Changes due to measurement of assets and liabilities	–47.7	–18.8	0.0
Transfer to income statement	35.8	2.1	–4.8
Deferred taxes	–0.3	–7.4	0.0
Balance as at 31 Dec 2008	**–5.0**	**–15.1**	**–1.5**

51. Determination of fair values of financial instruments

The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments which are listed on an active market is determined on the basis of market prices. The fair value of shares in funds is determined using the redemption price as published by the investment company.

The fair value of financial instruments which are not quoted on an active market is determined on the basis of accepted measurement models used uniformly throughout all classes. Non-derivative financial instruments as well as derivative financial instruments with no option components are measured using the discounted cash flow (DCF) method. The discount rate is based on currency-specific swap curves and maturity-linked interest rate indices based upon LIBOR and EURIBOR. Derivative financial instruments with option characteristics are measured using accepted option pricing models (Black-Scholes model or Garmann-Kohlhagen model). The measurement models use parameters that can be largely observed on the market.

The Bank did not hold any financial instruments during the business year whose fair value was determined on the basis of internal measurement models or measurement models using largely unobservable market parameters.

The fair values of the financial instruments were determined in accordance with the following methods to the extent that these instruments were included in measurement as at the balance sheet date:

€ mn	Fair values		Measurement models using largely observable market parameters		Measurement models using largely unobservable market parameters	
	2008	2007	**2008**	2007	**2008**	2007
Assets						
Loans and advances to banks	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances to customers	0.0	0.0	12.3	13.2	0.0	0.0
Financial assets held for trading	0.0	0.0	531.3	149.8	0.0	0.0
Positive fair values of derivative hedging instruments	0.0	0.0	267.2	111.8	0.0	0.0
Investment securities	42.2	101.5	0.0	32.6	14.2	0.0
Total assets	**42.2**	**101.5**	**810.8**	**307.4**	**14.2**	**0.0**
Liabilities						
Deposits from other banks	0.0	0.0	79.3	78.7	0.0	0.0
Deposits from customers	0.0	0.0	86.3	86.4	0.0	0.0
Financial liabilities held for trading	0.0	0.0	287.5	52.2	0.0	0.0
Negative fair values of derivative hedging instruments	0.0	0.0	308.0	125.8	0.0	0.0
Subordinated liabilities	0.0	0.0	0.0	10.2	0.0	0.0
Total liabilities	**0.0**	**0.0**	**761.1**	**353.3**	**0.0**	**0.0**
Total assets and liabilities	**42.2**	**101.5**	**1,571.9**	**660.7**	**14.2**	**0.0**

52. Risks arising from the use of financial instruments

The disclosures as to the nature and extent of risks arising from the use of financial instruments are included in the opportunities and risk report of the group management report in accordance with the provisions of IFRS 7. This does not apply to the contractual maturity analysis, which is shown below.

53. Maturity groupings and fair values of derivative financial instruments

€ mn	Terms to maturity					Fair values	
	up to 1 year	1 to 5 years	more than 5 years	**Total 31 Dec 2008**	Total 31 Dec 2007	**31 Dec 2008**	31 Dec 2007
Interest-rate derivatives with positive fair values							
Interest rate swaps	88.4	302.8	87.2	478.4	150.8	448.8	143.0
Forward rate agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest rate options	0.2	0.0	0.0	0.2	0.0	1.1	0.4
Interest-rate derivatives with negative fair values							
Interest rate swaps	–88.8	–259.1	–67.2	–415.1	–175.8	–464.4	–155.6
Forward rate agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest rate options	–14.2	0.0	0.0	–14.2	–15.6	–14.3	–15.5
Total interest rate derivatives	**–14.4**	**43.7**	**20.0**	**49.3**	**–40.6**	**–28.8**	**–27.7**
Currency-related derivatives with positive fair values							
Forward currency contracts	339.4	3.7	0.8	343.9	106.1	343.9	106.1
Currency options	0.0	0.0	0.0	0.0	1.3	0.0	1.3
Cross-currency swaps	0.0	3.5	0.0	3.5	8.3	4.7	8.7
Currency-related derivatives with negative fair values							
Forward currency contracts	–111.7	–3.7	0.0	–115.4	–3.5	–115.4	–3.5
Currency options	0.0	0.0	0.0	0.0	–1.3	0.0	–1.3
Cross-currency swaps	0.6	–0.4	0.0	0.2	0.0	–2.1	0.0
Total currency-related derivatives	**228.3**	**3.1**	**0.8**	**232.2**	**110.9**	**231.1**	**111.3**
Other derivatives with positive fair values	0.0	0.0	0.0	0.0	2.1	0.0	2.1
Other derivatives with negative fair values	0.0	0.0	0.0	0.0	–2.1	0.0	–2.1
Total other derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**213.9**	**46.8**	**20.8**	**281.5**	**70.3**	**202.3**	**83.6**

The amounts reported for the individual time bands reflect the undiscounted future cash flows.

54. Fair values of non-derivative financial instruments

€ mn	Fair value 31 Dec 2008	Fair value 31 Dec 2007	Carrying amount 31 Dec 2008	Carrying amount 31 Dec 2007
Assets				
Cash and balances with the central bank	642.9	276.6	642.9	276.6
Financial assets held for trading (non-derivative)	0.0	0.0	0.0	0.0
Loans and advances to banks	319.4	1,518.3	321.7	1,518.8
Loans and advances to customers	14,819.3	10,369.5	14,214.0	10,011.5
Investment securities (excl. interests in unconsolidated, affiliated companies)	129.6	188.2	130.2	190.3
Total assets	**15,911.2**	**12,352.6**	**15,308.8**	**11,997.2**
Liabilities				
Financial liabilities held for trading (non-derivative)	0.0	0.0	0.0	0.0
Deposits from other banks	7,307.5	4,013.4	7,144.9	4,057.9
Deposits from customers	4,919.8	4,404.4	5,011.4	4,362.3
Securitised liabilities	2,732.3	2,950.2	2,722.6	2,931.7
Subordinated liabilities	690.3	625.9	672.2	625.6
Total liabilities	**15,649.9**	**11,993.9**	**15,551.1**	**11,977.5**

The fair value of derivative financial instruments is presented in conjunction with the maturity groupings of derivative financial instruments.

55. Maturity groupings of non-derivative financial instruments

€ mn	Payable on demand	Terms to maturity up to 3 months	Terms to maturity from 3 months to 1 year	Terms to maturity from 1 year to 5 years	Terms to maturity more than 5 years	**Total**
Loans and advances to banks	259.1	62.0	8.6	0.0	0.0	329.7
Loans and advances to customers	141.9	1,707.1	1,761.2	7,340.2	5,689.3	16,639.7
Investment securities	0.0	0.8	2.7	68.9	65.2	137.6
Total	**401.0**	**1,769.9**	**1,772.5**	**7,409.1**	**5,754.5**	**17,107.0**
Deposits from other banks	442.6	1,929.5	1,669.6	3,107.3	407.3	7,556.3
Deposits from customers	454.9	430.2	454.5	1,526.1	3,231.9	6,097.6
Securitised liabilities	0.0	584.8	438.5	1,815.5	0.0	2,838.8
Subordinated liabilities	0.0	24.5	25.2	498.2	117.8	665.7
Total	**897.5**	**2,969.0**	**2,587.8**	**6,947.1**	**3,757.0**	**17,158.4**

The amounts reported for the individual time bands reflect the undiscounted future cash flows (interest and capital payments).

Other disclosures

56. Equity capital management

The target figure for DVB’s equity capital management is the capital as determined pursuant to the provisions of the German Banking Act (Kreditwesengesetz – “KWG”). The objective of equity capital management is to exploit potential for profitable growth in international transport finance by means of strengthening liable capital and to fulfil at all times the regulatory requirements with respect to the amount of equity.

DVB’s regulatory capital is determined pursuant to the provisions of the German Banking Act. In accordance with sections 10 and 10 a of the KWG, the Group is obliged to ensure an appropriate amount of own funds in order to fulfil its obligations to customers. In addition, financial institutions are required, on the basis of the solvency principle (Grundsatz I), to quantify their credit risks and their market risks as well as to ensure that these risk exposures are backed by own funds.

The calculation of own funds is based on the separate financial statements of the Group companies in accordance with local accounting principles. The Bank’s regulatory capital comprises liable capital, which consists of Tier 1 and Tier 2 capital, and Tier 3 capital. Compared to equity as reported in the balance sheet, which is determined in accordance with the provisions of IFRS, regulatory capital also includes silent partnership contributions, subordinated liabilities and profit-participation certificates. In addition, certain components of equity as reported in the balance sheet (revaluation reserve from the measurement of securities of the category "available for sale", hedging reserves for cash flow hedges and cumulative actuarial gains and losses) are not included in the calculation of regulatory capital.

The analysis of the components of regulatory capital is presented in the following table.

€ mn	2008	2007	%
Issued and fully paid ordinary shares (less treasury shares)	114.0	93.0	22.6
Capital reserve plus other reserves eligible for inclusion	290.2	162.0	79.1
Special item for general banking risks pursuant to section 340 g of the HGB	504.5	422.3	19.5
Other components of Tier 1 capital	139.2	140.3	–0.8
Items deducted from Tier 1 capital pursuant to section 10 (2 a) sentence 2 of the KWG	5.3	3.1	71.0
Items deducted from Tier 1 capital pursuant to section 10 (6 and 6 a) of the KWG	30.8	0.0	–
Total Tier 1 capital pursuant to section 10 (2 a) of the KWG	**1,011.8**	**814.5**	**24.2**
Total Tier 2 capital pursuant to section 10 (2 b) of the KWG before deductions and eligible Tier 3 capital pursuant to section 10 (2 c) of the KWG	349.5	378.6	–7.7
Items deducted from Tier 2 capital pursuant to section 10 (6 and 6 a) of the KWG	30.8	0.0	–
Net Tier 2 capital pursuant to section 10 (2 b) of the KWG plus eligible Tier 3 capital pursuant to section 10 (2 c) of the KWG	**318.7**	**378.6**	**–15.8**
Net adjusted available capital pursuant to section 10 (1 d) of the KWG plus eligible Tier 3 capital pursuant to section 10 (2 c) of the KWG [1)]	**1,330.5**	**1,193.1**	**11.5**

1) Taking into account transfer to reserves from consolidated net profit

57. Subordinated assets

During the year under review, the Bank did not hold subordinated assets to any considerable extent.

58. Financial guarantee contracts, contingent liabilities and other commitments

€ mn	**2008**	2007	%
Financial guarantee contracts from guarantees	745.7	551.2	35.3
Contingent liabilities from irrevocable loan commitments	3,649.4	3,445.6	5.9
Other commitments	13.7	15.7	–12.7
thereof: within 1 year	4.5	4.2	–7.1
thereof: within 1 to 5 years	9.1	11.2	–18.8
thereof: after more than 5 years	0.1	0.2	–50.0
Total	**4,408.8**	**4,012.5**	**9.9**

Financial guarantee contracts are disclosed at their nominal value.

Other commitments include future minimum lease payments from non-cancellable operating leases.

59. Average number of employees

The average number of employees changed during the year under review as follows:

Employees	**2008**		2007	
	SE	Group	SE 1)	Group
Women	123	188	118	167
Men	222	340	208	261
Total	**345**	**528**	**326**	**428**

1) Figures for 2007 of DVB Bank AG increased by the number of employees in the Rotterdam and Bergen/Oslo offices

The average number of employees includes those on parental leave, people doing military or alternative community service and temporary personnel, but it does not include trainees and employees in the passive phase of partial retirement (Altersteilzeit).

60. Related party disclosures

60.1 Remuneration and shareholdings of Board members

The remuneration paid to Board members during 2008 amounted to:

€'000s	2008	2007
Board of Managing Directors	2,625.4	2,211.7
Supervisory bodies	260.0	161.2
Former members of the Board of Managing Directors and their surviving dependants	425.6	423.2
Total	**3,311.0**	**2,796.1**

60.1.1 Resolution to refrain from disclosing the individual levels of remuneration for the members of the Board of Managing Directors in accordance with the German Act on Disclosure of Remuneration of Management Board Members (Gesetz über die Offenlegung der Vorstandsvergütungen; VorstOG)

Pursuant to the German Act on the Disclosure of Remuneration of Management Board Members, which came into force on 3 August 2005, it is now a requirement that listed companies disclose the remuneration of each individual member of the Board of Managing Directors, identifiable by name, in annual and consolidated financial statements for business years beginning after 31 December 2005. According to the VorstOG, however, the Annual General Meeting may pass a resolution exempting the reporting entity from disclosing remuneration on a personalised level for a period of five years, provided that such resolution is approved by 75% of the share capital represented at the meeting. DVB Bank AG made use of this option with the resolution adopted at the Annual General Meeting on 30 June 2006, as described in item 9 of the agenda.

Accordingly, disclosure of information in the annual and consolidated financial statements of DVB, as required in section 285 sentence 1 no. 9 a sentences 5-9 of the HGB and section 314 (1) no. 6 a sentences 5-9 of the HGB, is not required for a period of five years (financial statements 2006 to 2011).

60.1.2 Remuneration of the Board of Managing Directors

The structure of the remuneration of the Board of Managing Directors of DVB Bank SE is based on the Internal Regulations for the Executive Committee of the Supervisory Board, which was adopted by the Supervisory Board. Accordingly, the overall remuneration of the Board of Managing Directors is composed of a fixed component of 50.7% and a variable component of 49.3%. The variable component consists of a traditional bonus element.

The *fixed component* of the remuneration of DVB Bank SE's Board of Managing Directors totalled €1,330,183.16 in 2008 (2007: €1,220,936.82). It comprises monetary remuneration components, pension commitments and special benefits. The monetary remuneration components amounted to €935,000.00 (2007: €905,000.00). Pension commitments, including additions to pension provisions, amounted to €256,575.48 (2007: €243,120.76). The special benefits amounted to €138,607.68 (2007: €72,816.06) and can be divided as follows: €54,974.93 (2007: €44,254.54) grants for company cars that may also be used for private purposes or monetary bonuses instead of a company car; €17,110.86 (2007: €0.00) for rent subsidies; and €66,521.89 (2007: €28,561.52) for insurance policies and employer contributions to foreign social security schemes.

Bonus payments to members of the Board of Managing Directors are calculated on the basis of target agreements (to be laid down for any business year) between the Executive Committee and the Board member concerned. The amount of the bonus depends on the extent to which the targets were achieved. One half of the targets refers to the achievement of objective criteria, such as the RoE and CIR for the relevant business year, and the other half refers to the individual performance of each member of the Board of Managing Directors. The bonus for the current business year is then paid out in two tranches of 50% each, in each of the two following business years. A prerequisite for the payout is, however, that no notice of termination has been given with regard to the employment relationship as at the time of payment. Bonuses of €1,295,250.00 were distributed to the Board of Managing Directors in 2008 (2007: €990,750.00).

60.1.3 Remuneration of the Supervisory Board

Total remuneration expenses for members of the *Supervisory Board* amounted to €260,002.79. This amount consists of the following components:

- The members of the Supervisory Board received annual remuneration (incl. taxes) of €190,372.09, pursuant to section 19 (1) of the Memorandum and Articles of Association.

- DVB paid taxes to the responsible tax office for foreign members of the Supervisory Board in the amount of €29,967.92.

- The members of the Credit Committee received additional remuneration (incl. taxes) of €39,662.78, pursuant to section 19 (2) of the Memorandum and Articles of Association.

Remuneration for the members of the Supervisory Board in 2008 is broken down as follows (€):

€	For Supervisory Board activities					For Credit Committee activities				
	Remu-neration Super-visory Board	VAT	Taxes for membership in a supervisory board	Solidarity surcharge	**Remu-neration Super-visory Board**	Remu-neration Credit Committee	VAT	Taxes for membership in a supervisory board	Solidarity surcharge	**Remu-neration Credit Committee**
		19,0% [1]	30,0% [2]	5,5% [2]	**Total**		19,0% [1]	30,0% [2]	5,5% [2]	**Total**
Shareholder and employee representatives, domiciled in Germany:										
Shareholder representatives:										
Dr. Thomas Duhnkrack, Chairman	30,000.00	5,700.00			35,700.00	10,000.00	1,900.00			11,900.00
Prof. Dr./Univ. Miskolc Manfred Schölch, Deputy Chairman	20,000.00	3,800.00			23,800.00					
Hemjö Klein	20,000.00	3,800.00			23,800.00					
Frank Westhoff	20,000.00	3,800.00			23,800.00	10,000.00	1,900.00			11,900.00
Employee representatives:										
Lutz Baumgartl	15,000.00				15,000.00					
Sabine Blummer	15,000.00				15,000.00					
Axel Clemens	15,000.00				15,000.00	7,500.00				7,500.00
Martin Wolfert	4,666.67				4,666.67	1,527.78				1,527.78
Shareholder and employee representatives, domiciled outside Germany: [1), 2)]										
Shareholder representatives:										
Flemming Robert Jacobs, domiciled in Cobham, UK	20,000.00	3,800.00	6,000.00	330.00	13,670.00					
Robert Jan van der Burg, domiciled in Dublin, Republic of Ireland	20,000.00	3,800.00	6,000.00	330.00	13,670.00	10,000.00	1,900.00	3,000.00	165.00	6,835.00
Employee representatives:										
Frode Bjørklund, domiciled in Bergen, Norway	4,666.67	886.67	1,400.00	77.00	3,189.67					
Dorinus Legters, domiciled in Leiden, The Netherlands	3,166.67	601.67	950.00	52.25	2,164.42					
Michel Matton, domiciled in Hilveksum, The Netherlands	1,333.33	253.33	400.00	22.00	911.33					
Supervisory Board and Credit Committee					**190,372.09**					**39,662.78**
Total – Supervisory Board and Credit Committee										**230,034.87**

For Supervisory Board members domiciled outside Germany, the following applies:

1) Value added tax is declared by DVB Bank SE and paid directly to the responsible tax office.
2) Taxes for Supervisory Board members (and solidarity surcharge thereon) for those domiciled in foreign countries are declared by DVB Bank SE and paid directly to the responsible tax office. Therefore, taxes for Supervisory Board membership (and solidarity surcharge thereon) are deducted from Supervisory Board members' remuneration.

The taxes mentioned in 1) and 2) paid by DVB on behalf of foreign Supervisory Board members to the tax office amount to: **€29,967.92**

60.2 Shareholdings of the Board of Managing Directors and the Supervisory Board

As at 31 December 2008, the members of the Board of Managing Directors and the Supervisory Board held the following shares in DVB Bank SE:

No. of shares	2008[1)]	2007
Board of Managing Directors	73,590	6,506
Supervisory bodies	0	49
Total	**73,590**	**6,555**

1) Number of shares after 10-for-1 share split in 2008

60.3 Pension liabilities to former members of the Board of Managing Directors

The defined benefit obligation (DBO) for pension liabilities to former members of the Board of Managing Directors and their surviving dependants amounts to €3.71 million (2007: €4.07 million).

60.4 Related companies

With regard to the presentation of the business relationships between DVB Bank SE and DZ BANK AG, the Bank refers to the discussion about related companies included in the report of the Board of Managing Directors.

DVB maintains standard banking relationships on an arm's length basis with companies affiliated to the DZ BANK Group. There were no loans to officers during the year under review. In addition, the Bank refers to the details provided for in the subordinate status report of DVB Bank SE.

61. Declaration of Compliance pursuant to section 161 of the German Public Limited Companies Act (AktG)

Section 161 of the AktG requires the boards of managing directors and supervisory boards of listed companies to issue a declaration of compliance with the German Corporate Governance Code on an annual basis. They declare, by means of such a declaration, that the recommendations of the Code have been and are being complied with, and also comment upon exceptions.

DVB Bank SE's Board of Managing Directors and Supervisory Board published their Declaration of Compliance in accordance with section 161 of the German Public Limited Companies Act on 12 December 2008 in the electronic German Federal Gazette (elektronischer Bundesanzeiger) and simultaneously made the text permanently available to the public on the Bank's website (http://www.dvbbank.com/en/investor_relations/corporate_governance/index.html).

In addition, DVB Bank SE published an annual document in accordance with section 10 of the German Securities Prospectus Act (Wertpapierprospektgesetz – "WpPG") on its website (http://www.dvbbank.com/de/investor_relations/jaehrliches_dokument/index.html). This annual document includes any information that was published or made available to the public by the Bank pursuant to the provisions of section 10 of the WpPG in the period between 1 January and 31 December 2007.

62. Financial statements of DVB Bank SE

DVB Bank SE is a parent company and, at the same time, a subsidiary of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main.

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main, prepared consolidated financial statements and a group management report as at 31 December 2008, which was submitted to the Local Court of Frankfurt/Main and which includes DVB Bank SE.

63. Responsibility statement

(in accordance with section 37 y No. 1 of the German Securities Trading Act (WpHG) in conjunction with section 297 (2) sentence 4 and 315 (1) sentence 6 of the Commercial Code)

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the DVB Group, and the management report of DVB Group includes a fair review of the development and performance of the business and the position of DVB Group, together with a description of the principal opportunities and risks associated with the expected development of DVB Group.

Frankfurt/Main, 19 March 2009

DVB Bank SE

The Board of Managing Directors

Wolfgang F. Driese
CEO and Chairman of the
Board of Managing Directors

Bertrand Grabowski
Member of the Board
of Managing Directors

Dagfinn Lunde
Member of the Board
of Managing Directors

Auditor's Report

We have audited the consolidated financial statements prepared by DVB Bank SE, Frankfurt/Main, Germany, comprising the balance sheet, the income statement, the statement of recognised income and expense, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315 a (1) HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315 a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt/Main, Germany, 19 March 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Sterz	Rothe
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Greatly team-oriented

» I like working in a team-oriented non-hierarchical organisation with empowered people and short decision lines «

Distribution of responsibilities of the Board of Managing Directors

Status quo as at the printing date

The following table provides an overview of the members of the DVB Bank SE's Board of Managing Directors and their spheres of responsibility:

Wolfgang F. Driese

CEO and Chairman of the
Board of Managing Directors

born 1949 in Berlin
(Germany)

Client Areas:
Transport Finance Credit
- Shipping
- Aviation
- Land

Transport Finance
- Syndications

Investment Management
DVB LogPay GmbH
ITF International Transport Finance
Suisse AG

Product/Service Areas:
Group Risk Management
Group Controlling
Group Corporate Communications
Group Compliance Office

Dagfinn Lunde

Member of the
Board of Managing Directors

born 1948 in Tokke
(Norway)

Client Areas:
Transport Finance
- Shipping

Advisory and M&A
DVB Capital Markets LLC

Product/Service Areas:
Group Human Resources
Operations & Information
Systems & Organisation
Group Accounting and Taxes

Bertrand Grabowski

Member of the
Board of Managing Directors

born 1956 in Guerche-de-Bretagne
(France)

Client Areas:
Transport Finance
- Aviation
- Land Transport

ITFL International
Transport Finance Ltd.
TES Aviation Group

Product/Service Areas:
Group Audit
Group Treasury

Executive bodies and offices held

1. Executive bodies of DVB Bank SE

1.1 Board of Managing Directors

Wolfgang F. Driese
Chairman

Bertrand Grabowski

Dagfinn Lunde

1.2 Supervisory Board

Supervisory Board members elected by the General Meeting of DVB Bank SE:

Dr Thomas Duhnkrack
Chairman

Prof Dr/Univ. Miskolc Manfred Schölch
Deupty Chairman

Flemming Robert Jacobs

Robert Jan van der Burg

Hemjö Klein

Frank Westhoff

Supervisory Board members elected by employees of DVB Bank SE:

Lutz Baumgartl
(until 1 October 2008)

Frode Bjørklund
(since 7 October 2008)

Sabine Blummer
(until 1 October 2008)

Dorinus Legters
(since 4 November 2008)

Axel Clemens
(until 1 October 2008)

Martin Wolfert
(since 7 October 2008)

Michel Matton
(from 7 to 31 October 2008)

1.3 Supervisory Board Committees

Credit Committee:

Frank Westhoff
Chairman

Dr Thomas Duhnkrack
Deputy Chairman

Robert Jan van der Burg

Axel Clemens
Deputy Member
(until 1 October 2008)

Martin Wolfert
Deputy Member
(since 6 November 2008)

Executive Committee:

Dr Thomas Duhnkrack
Chairman

Prof Dr/Univ. Miskolc Manfred Schölch
Deputy Chairman

Lutz Baumgartl
(until 1 October 2008)

Dorinus Legters
(since 6 November 2008)

2. Offices held on Supervisory Boards and other controlling bodies

Disclosure pursuant to section 285 no. 10 of the HGB

2.1 Offices held by members of the Board of Managing Directors

Wolfgang F. Driese		
Chairman, Bank director	DVB Bank N.V., Rotterdam (until 1 October 2008)	Chairman of the Supervisory Board
	DVB Bank America N.V., Curaçao	Chairman of the Supervisory Board
	DVB Holding (US) Inc., New York	Chairman of the Board of Directors
	DVB Transport (US) LLC, New York	Chairman of the Board of Directors
	International Transport Finance Ltd., London	Member of the Board of Directors
	DVB Group Merchant Bank (Asia) Ltd., Singapore	Member of the Board of Directors
	DVB Capital Markets LLC, New York	Member of the Board of Directors
	ITF International Transport Finance Suisse AG, Zurich	Chairman of the Board of Directors
	DVB Invest (Suisse) AG, Zurich (since 25 September 2008)	Chairman of the Board of Directors
Bertrand Grabowski		
Bank director	International Transport Finance Ltd., London	Chairman of the Board of Directors
	TES Holdings Ltd., Cardiff	Chairman of the Board of Directors
	DVB Transport (US) LLC, New York	Member of the Board of Directors
	DVB Invest (Suisse) AG, Zurich (since 25 September 2008)	Member of the Board of Directors
Dagfinn Lunde		
Bank director	DVB Bank N.V., Rotterdam (until 1 October 2008)	Chairman and CEO
	DVB Capital Markets LLC, New York	Chairman of the Board of Directors
	DVB Bank America N.V., Curaçao	Member of the Supervisory Board
	DVB Group Merchant Bank (Asia) Ltd., Singapore	Member of the Board of Directors
	DVB Holding (US) Inc., New York	Member of the Board of Directors
	DVB Transport (US) LLC, New York	Member of the Board of Directors
	DVB Service (US) LLC, New York	Member of the Board of Directors
	DVB Service Company (HK) Ltd., Hong Kong (until 23 December 2008)	Member of the Board of Directors
	DVB Invest (Suisse) AG, Zurich (since 25 October 2008)	Member of the Board of Directors

2.2 Offices held by members of the Supervisory Board

Disclosure pursuant to section 285 no. 10 of the HGB

Supervisory Board members elected by the General Meeting of DVB Bank SE:

Dr Thomas Duhnkrack		
Chairman, Bank director and Member of the Board of Managing Directors DZ BANK AG	VR-Leasing AG, Eschborn [1)]	Chairman of the Supervisory Board
	Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft, Hamburg [1)]	Chairman of the Supervisory Board
	DZ BANK Polska S.A., Warsaw[1]	Chairman of the Supervisory Board
	EDEKABANK AG, Hamburg	Member of the Supervisory Board
	Österreichische Volksbanken-Aktiengesellschaft, Vienna	Member of the Supervisory Board
	Cassa Centrale Banca Credito Cooperativo del Nord Est SpA, Trento, Italy	Member of the Supervisory Board
Prof Dr/Univ. Miskolc Manfred Schölch		
Deputy Chairman, lawyer	None	
Flemming Robert Jacobs		
Chief Executive Officer and director (rtd.) Neptune Orient Lines, Singapore	DVB Bank N.V., Rotterdam (until 1 October 2008)	Member of the Supervisory Board
	Inchcape Shipping Services, London	Member of the Supervisory Board
	Remmen's Stiftung von 1986, Liechtenstein (since 26 September 2008)	Member of the Supervisory Board
	Global Ship Lease Inc., Marshall Islands (until 21 March 2008)	Chairman
	Panama-Canal, Balboa-Ancon	Member of the Advisory Board
	Lloyds Register, London	Member of the General Committee
	Ultramar Group, Santiago	Senior Advisor of the Boards
	AAE, Baar, Switzerland (until 31 December 2008)	Senior Advisor of the Chairman
Hemjö Klein		
Businessman	Live Holding AG, Buchschlag	Chairman of the Board of Managing Directors
	Telefunken Holding AG (since 17 December 2007)	Chairman of the Board of Managing Directors
	HumanOptics AG, Erlangen	Chairman of the Supervisory Board
	payment solution AG, Munich	Chairman of the Supervisory Board
	Mountain Partners AG, Zurich	Chairman of the Board of Directors
	Thomas Cook Group plc, London	Member of the Board of Directors
	Convergence CT Inc., Pleasanton, CA, USA	Member of the Board of Directors

Robert Jan van der Burg		
Managing Director (rtd.) KLM Financial Services, Dublin	Adfinbur Ltd., Dun Laoghaire, Co. Dublin	Managing Director
Frank Westhoff		
Member of the Board of Managing Directors DZ BANK AG	Volksbank International AG, Vienna 1)	Second Deputy Chairman of the Supervisory Board
	BAG Bankaktiengesellschaft, Hamm	Member of the Supervisory Board
	Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft, Hamburg 1)	Member of the Supervisory Board
	Deutsche WertpapierService Bank AG, Frankfurt/Main 1)	Member of the Supervisory Board
	TeamBank AG Nürnberg, Nuremberg (since 28 April 2008)	Member of the Supervisory Board
	DZ BANK Ireland plc., Dublin 1)	Chairman, Board of Directors

Supervisory Board members elected by employees of DVB Bank SE do not hold any other offices.

1) Offices held within the DZ BANK Group. Pursuant to section 100 (2) sentence 2 of the AktG, the offices on Group Supervisory Boards marked shall not count towards the maximum number of Supervisory Board offices under section 100 (2) sentence 1 no. 1 of the AktG.

DVB worldwide

Head office

Frankfurt/Main	DVB Bank SE Platz der Republik 6 60325 Frankfurt/Main, Germany	Phone +49 (0) 69 97 50 40 Fax +49 (0) 69 97 50 44 44

Europe

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	Haakon VII's gate 1 0161 Oslo, Norway	Phone +47 23 012 200 Fax +47 23 012 250
Cardiff	TES Aviation Group Aviation House, Brocastle Avenue Waterton Industrial Estate Bridgend CF31 3XR Wales, UK	Phone +44 1656 765 200 Fax +44 1656 667 987
Hamburg	DVB Bank SE Shipping Department Ballindamm 6 20095 Hamburg, Germany	Phone +49 (0) 40 30 80 04 0 Fax +49 (0) 40 30 80 04 12
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Piraeus	DVB Bank SE Representative Office Greece The Chandris Building 95, Akti Miaouli 185 38 Piraeus, Greece	Phone +30 210 4557 400 Fax +30 210 4557 420

Rotterdam	DVB Bank SE Rotterdam Branch Parklaan 2 3016 BB Rotterdam, The Netherlands	Phone +31 10 206 7900 Fax +31 10 436 2957
Zurich	DVB Invest (Suisse) AG Wasserwerkstrasse 12 8006 Zurich, Switzerland	Phone +41 44 365 39 00 Fax +41 44 365 39 99
	ITF International Transport Finance Suisse AG Wasserwerkstrasse 12 8006 Zurich, Switzerland	Phone +41 44 3656 100 Fax +41 44 3656 200
The Americas		
Curaçao	DVB Bank America N.V. Zeelandia Office Park Kaya W.F.G. Mensing 14 Curaçao, Netherlands Antilles	Phone +599 9 431 8700 Fax +599 9 465 2366
New York	DVB Transport (US) LLC Representative Office of DVB Bank SE 609 Fifth Avenue New York, NY 10017-1021, USA	Phone +1 212 588 8864 Fax +1 212 588 8936
	DVB Capital Markets LLC 609 Fifth Avenue New York, NY 10017-1021, USA	Phone +1 212 858 2623 Fax +1 212 588 0424
	DVB Service (US) LLC 609 Fifth Avenue New York, NY 10017-1021, USA	Phone +1 212 858 2640 Fax +1 212 858 2678
Asia		
Singapore	DVB Group Merchant Bank (Asia) Ltd. 77 Robinson Road # 30-02 Singapore 068896	Phone +65 6511 3433 Fax +65 6511 0700
Tokyo	International Transport Finance Ltd. Tokyo Branch The Imperial Hotel Tower 14th Floor (A-2) 1-1, Uchisaiwaicho 1-chome Chiyoda-ku Tokio 100-0011, Japan	Phone +81 3 3593 7700 Fax +81 3 3593 7860

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IT'S ALL ABOUT RELATIONSHIPS

Aircastle

Financing of a portfolio of 10 used aircraft on Operating Lease

Sole Arranger, Agent & Underwriter

AWAS

Financing of a portfolio of 6 used aircraft on Operating Lease

Arranger & Agent

Berlian Laju Tankers

Fleet loan to finance 7 stainless steel chemical tankers

DVB's share: US$57 mn
Co-Arranger & Underwriter

Blue Tankers Management SA (Maltezos)

Facility to finance two 50,100 dwt MR tankers

US$72 mn / bilateral
Arranger & Underwriter

China Airlines

Sale & Leaseback

A330-300

Sale / Leaseback Arranger & Senior Debt Underwriter

DCM

Sale of 4 x B777-200LRF to the KG closed-end fund market

Arranger

Deucalion Aviation Funds

Deucalion Aviation Funds

Equity investment in 23 commercial aircraft

Managed by DVB's Investment Management

Dong Fang International Investment Limited

Sale & Manage Leaseback of 38,983 CEUs containers sold by the client to a Seconvest fund

Senior Debt Underwriter

Dryships Ltd.

Pre- and Post-Delivery Credit Facility for 2 x 6G ultra deepwater drillships

US$75 mn
Mandated Lead Arranger

DVB Aviation Asset Management

DVB Aviation Asset Management

Sold or leased on behalf of third parties a total of 26 commercial aircraft in 2008

ERR Rail Rent Vermietungs GmbH

Secured long-term financing of new-built rail cars

€26.6 mn
Sole Debt Provider

European Bank Consortium

Successful recovery and remarketing of 3 ex-Oasis Hong Kong B747-400s

Asset Manager & Remarketing Agent

EVA Airways

Sale & Leaseback

B777-300ER

Sale/Leaseback Arranger & Senior Debt Underwriter

Excel Maritime Carriers

Fleet and Acquisition Financing

US$1.4 bn
Lead Arranger

GATX Corporation

Secured Railcar Term Loan Facility

US$50 mn
Arranger & Sole Lender

Genesee & Wyoming Inc.

Acquisition of Rotterdam Rail Feeding B.V.

DVB Capital Markets LLC served as Exclusive Financial Advisor

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Gram Car Carriers II Pte., Ltd.

Financing of 8 x 4.200 CEU PCTC

DVB's share: US$60 mn
Lead Arranger

GulfMark Americas, Inc.

Providing US$85 mn part acquisition finance to assist Gulfmark in their take over of Rigdon

Agent

International Container Pool Pte. Ltd.

Revolving Credit Facility to IIF II for a container portfolio on finance lease

US$100 mn
Arranger & Sole Underwriter

Intrepid

Operating Lease Financing

3 x A300-600R operated by Korean Air

Arranger & Agent

SOME IMPORTANT DEALS 2008

Jet Airways (India)
Operating Lease Financing
1 x B777-300ER and
1 x A330-200

Arranger, Agent &
Underwriter

Kansas City Southern de México, S.A. de C.V.
Secured Locomotive
Term Loan Facility

US$54.6 mn
Arranger & Sole Lender

KGAL
Operating Lease

3 x E195LR delivered
new to Flybe

Debt Arranger

Korean Air
Finance Lease

3 x A330-300

Arranger, Agent &
Underwriter

LPG Carrier I AS
Financing of 1998-built
25,000 cu.m. LPG carrier on
10-year bareboat charter to
MISC Berhad

US$43.5 mn
bilateral

NCS - North China Shipping Holdings Co. Ltd.
Secured Term Loan Facility
for 2 VLCCs

DVB's share:
US$72.5 mn
Agent & Security Trustee

New Paragon Investments Limited
Senior Secured Debt Facility
of 4 ro-paxes

DVB's share:
€60.8 mn
Arranger & Lender

NFC Shipping Funds
Equity investment in
9 vessels

US$58.5 mn
Managed by DVB's
Investment Management

ORIX Aviation
Financing of a portfolio of
8 used aircraft on
Operating Lease

Arranger & Agent

Palmali Group, Istanbul
Financing of
1 Suezmax and 2 Aframax

DVB's share:
US$91.5 mn
Arranger

Regent Seven Seas Cruises
Senior Secured Debt Facility
of 3 luxury cruise ships

DVB's share: US$60 mn
Co-Arranger, Joint
Bookrunner, Lender &
Documentation Agent

RollDock N.V.
Pre- and Post Delivery
Senior Debt Facility
(incl. Standby Credit Facility)

DVB's share:
US$57.6 mn
Agent

Sahaab Aircraft Leasing
Initial Equity and
Debt Funding, and
Acquisition of Seed Portfolio

Financial Advisor &
Asset Manager

Ship Finance International
5-year Credit Facility for
2 x 6G ultra deepwater
semi-submersible rigs

US$100 mn
Mandated Lead Arranger

Skeie Drilling & Production
Senior Secured Debt Facility

Financing of 3 x Ultra Harsh
Environment Jack-up Rigs

DVB's share:
US$150 mn
Mandated Lead Arranger

TBS International Ltd.
Fleet Financing for
7 multi-purpose vessels

US$75 mn
Arranger & Agent

TOP Ships Inc.
Facility to finance
two 50,000 dwt
MR tankers

US$80 mn / bilateral
Arranger & Underwriter

Touax Rail Ltd.
Secured Warehousing
Facility for the financing of
new-built rail cars

€55.0 mn
Lead Arranger & Agent

United Airlines
Sale & Leaseback
4 x A319-100
4 x A320-200
B777-200ER

Lease Arranger &
Senior Debt Underwriter

Waha Leasing
Operating Lease Financing

A330-300 on lease to
Qatar Airways

Arranger & Agent

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Board of Managing Directors
of DVB Bank SE (page 2):
Stefan Kiefer, Regensburg

Chairman of the Supervisory Board
of DVB Bank SE (page 6):
Press Office, DZ BANK AG
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