The leading specialist in international transport finance

Group Annual Report 2007

Contents

DVB Group – Overview

€ mn	**2007**	2006	%
Earnings data (in accordance with IFRS)			
Income	266.1	226.9	17.3
Net interest income after loan losses	169.6	131.7	28.8
Net interest income	189.9	159.5	19.1
Impairment losses on loans and advances	20.3	27.8	–27.0
Net fee and commission income	84.8	72.5	17.0
Net income from financial instruments in accordance with IAS 39	6.1	12.9	–52.7
Result from investments in companies accounted for using the equity method	3.7	4.0	–7.5
Net other operating income/expenses	1.9	5.8	–67.2
General administrative expenses	147.4	125.4	17.5
Result from ordinary activities before tax	118.7	101.5	16.9
Consolidated net profit	109.2	90.0	21.3
Distributable profit	20.6	12.5	64.8
Balance sheet data (in accordance with IFRS)			
Business volume	16,600.1	13,105.3	26.7
Total assets	13,154.5	11,099.1	18.5
Loans and advances to customers	10,124.7	9,339.2	8.4
Deposits from customers	4,362.3	4,033.4	8.2
Securitised liabilities	2,931.8	3,029.5	–3.2
Subordinated liabilities	625.6	537.1	16.5
Equity	793.2	704.8	12.5
Own funds in accordance with the German Banking Act (KWG)			
Total	1,193.1	1,033.2	15.5
Core capital (Tier I)	814.5	728.0	11.9
Supplementary capital (Tier II)	378.6	305.2	24.0

%	**2007**	2006	
Capital ratios according to the German Banking Act			
Core capital ratio	6.4	6.8	–0.4pp
Total capital ratio	9.4	9.7	–0.3pp
Key financial indicators			
Return on equity (before tax)			
IFRS	20.4	19.9	0.5pp
German Commercial Code (HGB)	25.6	20.9	4.7pp
Cost/income ratio			
IFRS	51.2	49.9	1.3pp
German Commercial Code (HGB)	45.0	45.1	–0.1pp

Information on the DVB Share	**2007**	2006	%
Dividend (€)	5.00	3.00	66.7
Dividend yield (%)	1.77	1.45	0.3pp
Earnings per share (DVFA – €)	30.45	21.61	40.9

Ratings	**2007**	2006	2005
Moody's Investors Service			
Debt and deposit ratings	A1/P-1	A2/P-1	A3/P-2
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-2
Outlook	stable	stable	stable

Corporate Development

In this Group Annual Report 2007, the DVB Group is referred to as "DVB" or "DVB Group", whilst DVB Bank AG is identified under its registered company name.

2007 was the fourth year during which DVB's income was generated exclusively from its core international Transport Finance business. Our strong result from ordinary activities before taxes – up by a remarkable 16.9%, to €118.7 million – confirmed the success of our clearly-defined strategic focus.

Total income grew by 17.3%, to €266.1 million. Net interest income after loan losses was up 28.8%, to €169.6 million, and net fee and commission income rose 17.0%, to €84.8 million.

The following key elements characterised DVB's business in 2007:

- Strong growth in new international Transport Finance business, with 256 new transactions and an aggregate volume of €7.09 billion.
- A leading position in 69.4% of transactions in the overall portfolio, and in 67.0% of new transactions.
- Expansion of the Aviation platform, including the acquisition of a majority stake in TES Aviation.
- Expansion of Investment Management activities:
  - CIF 3, an investment fund advised by DVB, acquired Capital Lease Limited, Hong Kong, the world's 8th largest container leasing company, and simultaneously on-sold the management rights to Capital Lease's 0.5 million TEU container fleet to Textainer Group.
  - Buss Capital and DVB jointly launched a Cruise Shipping fund.
  - Stephenson Capital was launched as the first rail investment fund.
- Preparations for launching an innovative organisational structure in Shipping Finance, effective 1 January 2008.

DVB's expertise in the international transport markets was recognised in 2007, with special awards from Jane's Transport Finance, a leading industry publication:

- *Aircraft Debt Deal of the Year – Africa*
  ING, jointly with DVB's Aviation Finance Division: Ethiopian PDP
- *Rail Finance House of the Year*
  DVB's Land Transport Finance Division
- *US Rail Deal of the Year*
  DVB's Land Transport Finance Division, jointly with CIC: ARI Second LLC
- *Shipping Debt Deal of the Year – Europe*
  DVB's Shipping Finance Division, jointly with GE: Sevan Marine ASA

2007

GROUP ANNUAL REPORT

Dagfinn Lunde, Wolfgang F. Driese, Bertrand Grabowski

Letter to our shareholders and business partners

Dear Ladies and Gentlemen,

The world is flat: this phenomenon has seen a regional crisis, which emerged in the mortgage markets of the United States, develop into a global financial markets crisis. A potent mix of weak business models, institutional and personal greed, addiction to size, an excessive emphasis on the role of rating agencies, and a slavish dependency upon the historical ability of markets to right themselves, plus a host of other ingredients, have exposed us all to uncharted territory. Experiences in the financial sector usually cost money; this time the cost has been high, and we have not yet seen the final outcome.

DVB, on the other hand, is pleased to announce another record result.

Based on IFRS, net income rose by 21.3% to €109.2 million; return on equity before taxes amounted to 20.4% (2006: 19.9%). It was as much as 25.6% (2006: 20.9%) in accordance with German GAAP ("HGB"), which formed our original planning basis.

We would like to take this opportunity to thank all our staff for their exceptional performance. We will propose to the Annual General Meeting to increase the dividend again, up from €3.00 to €5.00 per share.

DVB's share price reached a high of €282.00 in November of last year and has successfully weathered the pressure placed on stock markets since then. At approx. €7.1 billion, the volume of new business reached a level that could not have been deemed possible some years ago. This new business was fully collateralised, conservatively structured, and priced appropriately to take the risks involved into account. The financial markets crisis has not directly impacted DVB. Our unique strategy and uncompromising implementation thereof provides us with protection against doubtful credit surrogates.

However, even DVB has not been totally immune to the consequences of the crisis. Mutual trust no longer exists between banks. Funds are lent for the short-term only; entire investor markets are drying up, and refinancing costs have risen significantly. In this confused state of affairs, all banks are being punished indiscriminately. We have to point out that without the liquidity shield of the cooperative banking sector, we would not have enjoyed the growth momentum we experienced in the latter months of 2007. Liquidity carries weight, and it should continue to provide us with a competitive advantage in 2008 as well. However, the benefit is only sustainable if a consistent business model is in place.

Our markets have changed – and this would appear to be to our benefit.

Let us take a glance at our expectations for the near future.

It is quite possible that the financial markets crisis will hold us in suspense for the entire year – we have at least positioned ourselves to deal with this scenario. Competition in our exclusive business – Transport Finance – will have reached, and possibly exceeded, its peak.

We include the higher refinancing costs in our pricing for new business, without exception. Although this might slightly burden our growth momentum, it is – in any event – healthier.

Liquidity and capital will probably offer us interesting opportunities within our clearly defined strategy. This requires patience. With a return on equity (RoE) before taxes of over 25%, we more than achieved our original target of over 20% (in accordance with German GAAP) last year. What counts from now on is sustainability and further enhancement of the enterprise value.

With a view to achieving this objective, we took some key steps in 2007, some of which include

- the expansion of our Aviation Asset Management business, with the emphasis on aircraft leasing and marketing;
- the acquisition of a majority shareholding in TES Aviation Group – a specialist for marketing and disposal of jet engines;
- establishing the Equipment Trading Platform, specialising in trading and disposal of used container boxes;
- founding ITF International Transport Finance Suisse AG, which will be geared towards the interbank market for transport finance; and
- expanding our very successful investment management activities to include other asset classes, such as cruise liners and railway rolling stock.

One of our major projects was the successful conversion – implemented with effect from 1 January 2008 – of our Shipping Finance activities, from a regional structure into ten global shipping sectors. This reorganisation in Shipping Finance is unique, given the extent of the change and the consequences for our business.

All of these measures are elements of the joint objective of distinguishing DVB even more from its competitors, to the benefit of our clients. Even greater know-how of the transport markets and closer proximity to the 'metal' – in other words: to transport assets – allows us to better manage any potential risks, whilst providing both our clients and ourselves with additional business opportunities. Our objective now is to consistently realise this new potential in 2008 and in subsequent years.

As always, we have set ourselves a challenge. After all, crisis breeds opportunity.

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

Report of the Supervisory Board

Dr Thomas Duhnkrack

Dear shareholders,

First and foremost, we would like to take this opportunity to thank all members of staff at DVB's 13 office locations, whose commitment and contribution ensured the Bank's success in international Transport Finance throughout 2007. In their manifold contacts with DVB's professionals – both during Supervisory Board meetings and beyond – the members of the Supervisory Board are constantly impressed by the profound expertise shown, and by the creative, forward-looking, and often unique approach to business. DVB has evolved into a truly unique player in the global transport markets: unique in its combination of financing, structuring and advisory services – provided by a specialist bank that is 'close to the metal', with a very close focus on transport assets. The Supervisory Board truly appreciates the open, trusting, and close cooperation. We are confident that DVB will continue to successfully pursue its sophisticated and strictly focused approach to its international Transport Finance business.

I would now like to turn to my report on the activities of the Supervisory Board during the business year under review.

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 2007 business year. We have taken decisions on transactions requiring approval, and advised the Board of Managing Directors of DVB Bank AG. We have continuously supervised the management of the Company and the Group by the Board of Managing Directors, on the basis of reports submitted by the Board of Managing Directors, and discussions with its members during joint meetings.

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 the 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. The Supervisory Board discussed such events and transactions with the Board of Managing Directors.

Furthermore, regular consultations concerning the Bank's strategy, business policies, corporate governance and planning 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 scheduled plenary meetings*** in 2007; on 12 March, 16 April, 10 September, and 28 November 2007. In addition, a plenary meeting of the Supervisory Board was held on 11 June 2007, following the General Meeting of DVB Bank AG.

During the scheduled meetings, the Board of Managing Directors informed the Supervisory Board about current developments at DVB Bank AG, the Group companies and core businesses, as well as concerning any special events and occurrences within the individual business divisions. Presentations focusing on the planned business focus and on risk management (covering operational risk as well as market and liquidity risk) were submitted to outline the strategic development of the DVB Group; these presentations were discussed in depth. 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 12 March 2007* was firstly on the discussion and approval of the financial statements of DVB Bank AG in accordance with the German Commercial Code for 2006. The external auditors, who took part in the meeting, responded to questions in detail. Secondly, the Board of Managing Directors gave a detailed account to the Supervisory Board regarding the planned establishment of the Zurich-based subsidiary ITF International Transport Finance Suisse AG, and its future business model.

In the *meeting on 16 April 2007,* the consolidated financial statements in accordance with IFRS were discussed with the auditors, and were approved by the plenary meeting of the Supervisory Board. The Board of Managing Directors presented the medium-term planning (covering the period until 2011), and outlined DVB Group's future business strategy in Asia. In addition, the Head of Internal Audit presented the annual Audit Report.

An *extraordinary Supervisory Board meeting was held on 11 June 2007,* to discuss the acquisition of TES Aviation Group by DVB Group in detail, and to approve the purchase.

In its *meeting on 10 September 2007,* the Supervisory Board extended Mr Bertrand Grabowski's appointment as a member of the Board of Managing Directors of DVB Bank AG for a further five years, with effect from 1 May 2008. A detailed presentation was given on Shipping Finance (including the realignment of the division, to focus on market sectors), and was discussed during the meeting. Furthermore, the Supervisory Board concerned itself in detail with the crisis in international financial markets, and the Board of Managing Directors gave a substantiated account of the DVB Group's liquidity situation. In addition, the Board of Managing Directors presented a strategic concept regarding the realignment of DVB Group's Investment Management business, and discussed the proposed funds structure with the members of the Supervisory Board. Finally, the Head of Group Compliance presented the 2007 Compliance Report to the plenary meeting.

The last meeting during the year under review took place on 28 November 2007. The Board of Managing Directors reported on current developments in the DVB Bank Group, and on the operative planning for the new 2008 business year. Following up on the meeting on 10 September 2007, the Board of Managing Directors gave further presentations on DVB Group's liquidity situation, and on the proposed funds concept. Both issues were discussed in depth by the plenary meeting.

There were no members of the Supervisory Board who attended less than half of 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 struture 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 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 once during the reporting period. In the course of this meeting, 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 AktG, jointly with the Board of Managing Directors, based on the Corporate Governance Code as amended on 14 June 2007.

A summary of DVB Bank AG's Corporate Governance, including the wording of the Declaration of Compliance of December 2007 was published in the electronic German Federal Gazette on 7 December 2007, 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 2007

The Consolidated Financial Statements and the Group Management Report for the 2007 business year have been examined, following an audit of the accounting records, and certified without qualification, by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, 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 10 April 2008, 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 2007 gave no cause for objections. The Supervisory Board approved the Consolidated Financial Statements as at 31 December 2007 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 2007; 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 approves the results of the audit of the financial statements. In particular, the Supervisory Board has no objections regarding the declaration made by the Board of Managing Directors pursuant to section 312 (3) of the AktG.

Frankfurt/Main, 10 April 2008

For the Supervisory Board

Dr Thomas Duhnkrack
Chairman

» ...It´s all about knowledge! DVB is second to none in industry and asset expertise. «

Wolfgang F. Driese

» ...We are closer to the main drivers of the individual segments of our markets than all other competitors. «

Dagfinn Lunde

» ...We deliver the right cocktail of capital and services to our clients – at any point of the cycle. «

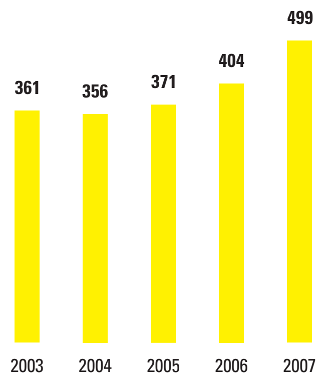
Bertrand Grabowski

Our employees

Human Resources activities in 2007 were defined by our efforts to support the expansion and development of DVB. Besides the recruitment of the specialists required to secure DVB Group's growth, our activities also focused on supporting projects and internal restructuring.

Employee numbers are up

Staff levels* (2003–2007)



* Including active staff members as well as those in the passive phase of partial retirement and on maternity and parental leave.

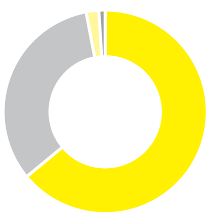
The rise in employee numbers represented a key characteristic in our personnel policies and human resources activities in 2007 as well. The number of active employees (not taking into consideration those members of staff that had entered the passive phase of partial retirement, those who were on maternity leave, or those who had taken parental leave) had reached 481 by the end of 2007, which equates to a 25.3% increase over the 384 active employees with DVB at the end of 2006.

Accordingly, our Human Resources activities were also focused on the search for and subsequent recruitment and integration of suitable employees.

The number of active employees in Transport Finance increased by 78 (+34.1%) to 307 persons, whilst there was little change in staff numbers in the central Group functions and service units, at 159 (2006: 136). Back office employees continue to account for only roughly one-third of active staff levels – the personnel structure therefore remained balanced during 2007.

Another aspect of the personnel structure shows that we consistently implement strategic approaches. As always, 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 our clients are located.

Distribution of 481 active* staff members by business division



Transport Finance	307	(64%)
Group functions and service units	159	(33%)
Treasury	8	(2%)
D-Marketing	7	(1%)

* Without staff members in the passive phase of partial retirement and those on maternity and parental leave at the end of 2007.

The number of active employees in Germany (Frankfurt/Main, and Hamburg) hardly changed during 2007, at 164, compared with 166 the year before, while the number of active employees in the other locations climbed by 45.4%, from 218 persons to 317. The sharp rise in staff numbers was attributable in particular to the acquisition of a majority shareholding in TES Aviation, with an employee base of 54 persons (of which 43 are active in Transport Finance).

DVB's core expertise

The combination of expertise from two totally different segments – an in-depth knowledge of the assets in the respective Transport Finance segments on the one hand, and the flexibility of the organisation and its staff on the other – is a decisive factor in DVB's success in enhancing and expanding its position as a leading specialist in international Transport Finance.

Knowledge is the key

The experience and knowledge of our employees is the key to our success in putting our asset-oriented business model into operation on the international Transport Finance market. Besides our knowledge of the banking industry and experience with modern financing structures, we focus in particular on in-depth asset expertise in the respective Transport Finance industry segment when recruiting new employees. Suitable candidates will have gained this expertise either through the relevant professional experience in Transport Finance or through a qualification acquired with an international transport industry company, or with a financial services providers operating in the sector.

In addition to asset know-how, so-called soft skills also play a decisive role in our success.

Ten years of change and internationalisation

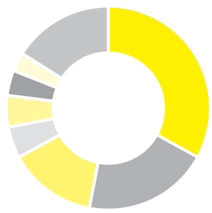
Wolfgang Driese assumed the position of Chairman of the Board of Managing Directors of DVB Bank on 1 April 1997. On the basis of the strategic realignment he embarked on, the Bank has been in a permanent phase of transformation and development since 1999, and it continues to be so, even today.

Strategic realignments are supported in a constructive and productive manner only by those employees who do not view these processes of change and development as a liability, but who consciously seek out employers that are in a permanent state of growth. We look for the following core competencies in particular, when recruiting applicants:

- a willingness to embrace new duties and challenges,
- motivation to progress on the basis of one's own initiative and
- the ability to operate efficiently in a complex, international matrix organisation.

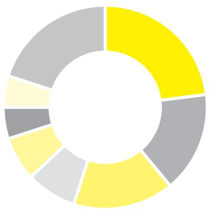
This emphasis on the requirement profile is derived from the strategic challenges faced by DVB, and is based on the corporate culture of a quick-thinking and entrepreneurial bank. Securing and further extending our position as one of the leading players in Transport Finance requires us to continuously develop our products and processes. For this reason, we promote a culture of entrepreneurship and seek out employees that can (and want) to take advantage of the scope they are given.

Nationality of the 481 active employees in the DVB Group



German	33%
British	20%
Dutch	14%
Norwegian	5%
US-American	5%
Singaporian	4%
Greek	3%
Other nationalities	16%

Nationality of the 307 active employees in Transport Finance



British	23%
German	16%
Dutch	16%
Norwegian	8%
US-American	7%
Greek	5%
Singaporian	5%
Other nationalities	20%

The share of employees that were already employed by DVB on 1 January 1999 is 125 persons, or 26% of the staff base. These 125 employees have shaped the Bank's strategy of focusing on the transportation industry and internationalisation, and have – within that process – assumed the core expertise that shapes DVB today.

Within a period of ten years, DVB has progressed from a bank that focused solely on the domestic market in 1997 to one for which internationality has become a matter of course. Our employees cooperate permanently with colleagues in various locations and from different cultures.

Two features in particular reflect the culture of internationality meanwhile achieved by DVB: our staff base comprises employees from 38 nationalities. 85 employees, or 20% of our active staff, were recruited outside of their current locations or were transferred to a different location. Flexibility can therefore be seen as the trump card for DVB in every respect.

The restructuring of Shipping Finance, from a regional operation to a sector structure oriented by type of vessel, represented a particular challenge for the Human Resources activities. We have achieved our objective: since 1 January 2008, all Shipping Finance staff are employed in the shipping sectors of their choice. This decision was generally defined by a sector-specific, professional background. Such experience will benefit our employees in their efforts to develop optimum financing structures for this sector.

Charter of Diversity

We are therefore aiming for a staff structure that is as international as our clientele.

Therefore, we are happy to support the 'Charter of Diversity': an initiative promoting diversity in business. On 10 December 2007, the City of Frankfurt/Main as well as 60 companies and public-sector institutions joined an initiative represented by the motto "diversity as opportunity – the charter of diversity for German businesses". By joining the initiative, the companies and institutions commit themselves to the active promotion of diversity amongst their employees.

Routine work in international teams and projects and in DVB offices populated by many different nationalities brings with it an attitude whereby a respectful approach to other cultures is the most natural thing in the world. Ultimately, it is this positive attitude that is communicated to our clientele and business partners.

Corporate Governance Report

Public debate on Corporate Governance issues during 2007 included topics such as severance payments for executive staff, transparency in nominations for Supervisory Board members, the European public limited-liability company (Societas Europaea), and Compliance. Against this background, the German Government Commission passed various amendments to the German Corporate Governance Code (the "Code") on 14 June 2007.

This Corporate Governance Report from DVB Bank AG focuses on the following aspects in particular:

- Sixth Declaration of Compliance for 2007 and 2008 – deviations from the Code's recommendations;
- remuneration of members of the Board of Managing Directors (section 4.2.3 to 4.2.5 of the Code) and remuneration of the Supervisory Board (section 5.4.7 of the Code);
- purchases and sales of shares in the Company by members of the Board of Managing Directors or the Supervisory Board subject to notification obligations ("Directors' Dealings", section 6.6 (1) of the Code), and share ownership of these persons (section 6.6 (2) of the Code); and
- the securities-based incentive scheme "DVB shares" (section 7.1.3 of the Code).

You will find general explanations on the Code and its implementation at DVB Bank AG on our website: http://www.dvbbank.com/en/investor_relations/corporate_governance/index.html. This also includes the Declaration of Compliance and detailed Corporate Governance Report for 2007, which also includes the detailed remuneration report in accordance with section 4.2.5 of the Code.

Sixth Declaration of Compliance for 2007 and 2008

The law obliges each company that does not fully adhere to the recommendations of the Code to expressly disclose such deviations each year, and to give specific reasons for such deviations, in a "Declaration of Compliance". As a global Transport Finance specialist, we have largely implemented the recommendations made by Code. Only where DVB's specific situation requires otherwise have we decided not to comply with these recommendations.

DVB did not comply with the following recommendations of the Code in 2007, and will not comply with them in 2008: section 4.2.2 sentence 1, section 4.2.5 (2) sentence 1, section 5.2 sentence 2 lit. 2, section 5.3.2 sentences 1 and 2, section 5.4.3 sentences 1, 2 and 3, section 5.4.4 sentences 1 and 2, section 5.4.7 sentence 3 lit. 2, section 6.5, and section 7.1.2 sentence 3 lit. 1 and 2. An exception to the above refers to section 7.1.2, sentence 3, lit. 2 of the Code, which the Bank intends to comply with in 2008.

During 2008, we will not comply with the recommendations of the Code regarding three additional issues:

- *Section 4.2.3 (3) sentence 4 of the Code:* To date, no caps to the variable components of the remuneration of the Board of Managing Directors have been agreed upon to account for extraordinary, unforeseen events. The Company intends to adhere to this practice. Against the background of continuous growth DVB has benefited from in the expanding global transport markets, the Board of Managing Directors strives to preserve its sustained business growth. Accordingly, no extraordinary and unforeseen events are anticipated, which would have a material impact on the remuneration of the Board of Managing Directors.

- *Section 5.3.3 of the Code:* The Company's Supervisory Board has not established, and will not establish a nomination committee. Instead, DVB wishes to continue its adhere to its existing procedure, which has proven to be successful: prior to making a proposal for candidates to the Annual General Meeting, preliminary discussions take place amongst the Board of Managing Directors and the Chairman of the Supervisory Board, followed by a detailed discussion by the plenary meeting of the Supervisory Board. DVB Bank AG's Board of Managing Directors has the necessary market expertise and professional know-how regarding candidates who command the greatest extent of Transport Finance expertise, whilst also fulfilling the principles set out in Section 5.4.1 of the Corporate Governance Code, and in the Company's Memorandum and Articles of Association. This multi-level, differentiated process to facilitate the coordination between the Board of Managing Directors and the Supervisory Board has stood the test of time, as demonstrated by the ability of attracting renowned shipping and aviation experts to the Supervisory Board of DVB Bank AG over recent years.

- *Section 7.1.2 sentence 3 lit. 1 of the Code:* Due to constraints regarding the availability of Supervisory Board members, it will not be possible to convene the plenary meeting of the Supervisory Board approving the consolidated financial statements prior to the end of March 2008. The Company will thus not be in a position to publish the consolidated financial statements 2007 within 90 days of the end of the business year. Publication of the consolidated financial statements 2007 is scheduled for the end of April 2008.

The Declaration of Compliance published on 7 December 2007 is available on our website.

Remuneration of the members of the Board of Managing Directors and the Supervisory Board

Detailed information on the remuneration structure of the Board of Managing Directors and the Supervisory Board can be found in the Notes to the Consolidated Financial Statements, on the Note 62.1 on pages 219 to 221. These are expressly included by reference in the Corporate Governance Report 2007, which we have published on the website indicated above.

Purchases and sales of shares in the Company by members of the Board of Managing Directors or the Supervisory Board subject to notification obligations, and share or option ownership of these persons

As at 31 December 2007, the members of the Board of Managing Directors held 6,506 shares in DVB Bank AG; in addition, they exercised options to buy 2,150 shares in 2007, within the scope of the 'DVB shares' employee share ownership programme. The members of the Board of Managing Directors received no further options to buy shares upon termination of the 'DVB shares' programme on 31 December 2007. The members of the Supervisory Board held a total of 49 shares in DVB Bank AG.

Pursuant to section 6.6 of the Code, four notices of purchases or sales by members of the Board of Managing Directors in notional no-par value shares of DVB Bank AG exceeding a value of €5,000 were submitted during 2007: on 18 September, 5 December, 10 December and 13 December 2007 (Wolfgang F. Driese, Chairman of the Board of Managing Directors). These Directors' Dealings were published immediately, pursuant to section 15a of the WpHG, through DGAP *(Deutsche Gesellschaft für Ad-hoc-Publizität),* within applicable deadlines. 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.

Securities-based incentive system "DVB shares"

DVB Bank AG launched its 'DVB shares' employee share ownership programme in 2000.

Members of staff purchased a total of 15,464 employee shares, within the scope of five tranches, offered from 2000 to 2004. A total of 154,428 options were allocated on these shares, of which employees exercised a total of 121,130 options between 2003 and 2007. Aggregate funds raised under Authorised Capital II and conditional capital from employees' share purchases and options exercises totalled €14.7 million, of which €3.4 million was attributed to statutory issued share capital, and €11.3 million to capital reserves.

A residual amount of 53,310 options under the 'DVB shares' programme was still unexercised as at 31 December 2006, of which 50,060 options were exercised in 2007, given that the financial requirements as defined by the Annual General Meeting 2000 were met.

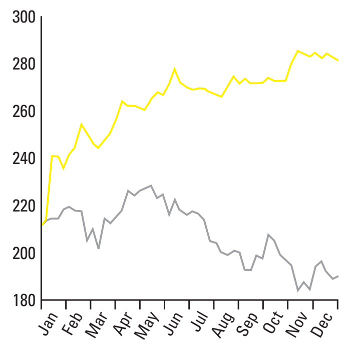
This resulted in an aggregate of €6,585,393.00 in own funds raised under conditional capital. In the financial statements of DVB Bank AG, the amount issued was allocated to the issued share capital in the amount of €1,279,763.58, and to the capital reserve in the amount of €5,305,629.42.

The capital increase from the exercise of options was registered with the Commercial Register at the Frankfurt/Main District Court *(Amtsgericht Frankfurt/Main)* on 13 February 2008; registration was effected after the end of the 2007 business year in accordance with section 201 (1) of the German Public Limited Companies Act *(Aktiengesetz – "AktG").*

The 'DVB shares' scheme expired in 2007, and will be replaced by a cash-based incentive scheme from 2008 onwards.

The DVB Share

DVB share price performance in 2007 (€)



Source: Bloomberg L.P.

2007 turned out to be yet another record year for the German equity market: the German blue-chip index DAX closed the year at 8,067 points, up by 22.3% year-on year (2006: 6,597 points). This end-of-year level, which was close to the high of 8,151 index points seen in July 2007, showed the resilience of the DAX vis-à-vis the US sub-prime crisis and clearly demonstrated the stability of the German market amongst its European peers.

Momentum of DVB share price performance maintained

Continuing its strong performance seen over recent years, the DVB share price rose by a remarkable 36.7% in 2007, from €206.25 to €282.00.

As in the previous year, traded volumes in DVB Shares were subdued, with moderate volatility, until mid-2007. The lowest price of €203.25 was recorded on 2 January 2007. During the second half of the year, both the DVB share price and volumes traded posted marked increases, in spite of the burdens placed by the sub-prime crisis on European financial markets. The year's high of €288.00 on 7 November 2007 was also an all-time high for the DVB Share. The year-end price was €282.00. The strong share price performance had the effect of increasing the market capitalisation of DVB Bank AG by 38.3%, to €1.12 billion at the end of 2007 (31 Dec 2006: €0.81 billion).

DVB Share indicators (€)	**2007**	2006	2005	2004	2003
Dividend	5.00	3.00	2.25	2.00	2.00
Dividend yield	1.77%	1.45%	1.24%	1.93%	2.29%
Business year high	288.00	220.00	191.00	111.00	87.80
Business year low	203.25	162.00	98.00	87.50	73.00
Year-end price	282.00	206.25	182.00	103.75	87.50
Earnings per share (according to DVFA)	30.45[1)]	21.61[1)]	14.17[1)]	12.19[1)]	6.24
Number of shares outstanding at year-end	3,982,737[2)]	3,932,677[2)]	3,896,912	3,034,462[2)]	3,020,147
Market capitalisation at year-end	1,123,131,834	811,114,631	709,237,984	313,617,471	264,262,862

1) For the purpose of calculating DVFA earnings per share, the share capital increase owing to the "DVB shares" employee participation scheme, which was recorded at the start of the following business year in the Commercial Register in accordance with section 201 (1) of the AktG, was taken into account.
2) Includes shares resulting from the "DVB shares" employee participation scheme, which were registered in February 2008, February 2007, and February 2005.

Nevertheless, we believe that this upside movement is only partially due to the overall performance of German equity markets, and to the performance recorded by bank stocks (tracked by the Dow Jones EURO STOXX Banks index), which was burdened by the subprime crisis during the second half of 2007. Rather, we see the share price development as being attributable to the continued positive performance of the DVB Group, the narrow market in which the shares trade because of the low free float, and possibly to renewed speculation of a squeeze-out.

A dividend of €3.00 per notional no-par value share (unit share) was distributed during 2007. We will propose to the Annual General Meeting, which will be held on 11 June 2008, to pay an increased dividend of €5.00 (+€2.00) per unit share for the 2007 business year.

Shareholder structure virtually unchanged

The shareholder structure was largely unchanged in the 2007 business year. As DVB's only major shareholder, DZ BANK held a 93.30% stake in the subscribed share capital as at 31 December 2007 (31 Dec 2006: 93.21%). The remaining 6.70% are held in free float.

2008 Financial Calendar

14 April 2008
Press conference to present the financial statements, and analysts' meeting, Frankfurt/Main

Mid-May 2008
Publication of English-language Annual Report of DVB Group on the company website

Mid-May 2008
Publication of the Interim Management Statement for the first half of 2008

End of May/beginning of June 2008
Printed version of English-language Annual Report of DVB Group available

11 June 2008
Annual General Meeting

12 June 2008
Dividend payment (ISIN DE0008045501)

1 July 2008
Repayment of profit-participation certificate (ISIN DE0008045568) plus interest payment for 2007 and – pro rata temporis – for 2008 as well as distribution on profit-participation certificate (ISIN DE0008045543)

Mid-August 2008
Publication of the Half-Yearly Financial Report 2008

Mid-November 2008
Publication of the Interim Management Statement for the second half of 2008

Mid-December 2008
Publication of the Declaration of Compliance for 2008/2009

Showing more draft at shipping debt deals

DVB's Floating Production Group and GE acted as joint Mandated Lead Arrangers for the innovative pre- and post-delivery debt financing of Sevan Marine's Driller, a deepwater drilling rig under construction in China. The Sevan Driller is based on the innovative, cylindrical Sevan technology, initially designed for floating production, storage and offloading activities. The unit uses 6th generation drilling technology, and is designed for ultra deepwater (up to 12,000 feet) operations. Upon its completion, the Sevan Driller will be chartered for six years to Petrobras Americas Inc. and operate in the US Gulf.

The transaction involved a US$400 million debt facility structured as limited recourse financing, consisting of a pre-completion construction financing of up to US$250 million that converts into a six-year US$350 million amortising term-loan and a US$50 million revolving loan, following delivery of the unit to Petrobras. The facility was fully underwritten by the Mandated Lead Arrangers, DVB and GE; furthermore, it was successfully syndicated to a limited group of international banks, and is partially guaranteed by Garanti Instituttet for Eksportkreditt (GIEK – the Norwegian Export Credit Agency). The facility comes on top of a NOK1 billion subordinated bond issue recently raised by Sevan Marine ASA.

The transaction was awarded "Shipping Debt Deal of the Year 2007 – Europe" by Jane's Transport Finance.

Management Report of DVB Group

(as at 18 March 2008)

1. Consolidated Financial Statements (in accordance with IFRS/IAS)

As a publicly traded company, DVB prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) pursuant to EU Regulation dated 19 July 2002 and the German Accounting Reform Act *(Bilanzrechtsreformgesetz – BilReG)* dated 10 December 2004.

The currently applicable IFRS provisions do not include a separate standard dealing with management reporting which would correspond to the EU regulations or the German Commercial Code *(Handelsgesetzbuch – HGB)*.

Pursuant to section 315a (1) of the HGB, DVB Bank AG, as a German parent company, is required to complement its IFRS consolidated financial statements with a Group Management Report in accordance with section 315 of the HGB.

The structure of information disclosed as part of the management report pursuant to section 315 (1) sentences 1 to 5 of the HGB, as well as in accordance with GAS 5–10 and GAS 15, is outlined below:

- DVB's strategic positioning
- Business and operating environment – Transport Finance
  - Shipping
  - Aviation
  - Land Transport
  - Syndications
  - Investment Management
  - ITF Suisse subsidiary
- Business and operating environment – Treasury
- Economic situation
  - Key elements, external factors and preliminary remarks on business performance during the 2007 business year
  - Results of operations
  - Financial position
  - Net assets
- Report on material events after the reporting date, in accordance with section 315 (2) No. 1 of the HGB
- Risk report in accordance with section 315 (2) no. 2a and b of the HGB
- Report on branches and subsidiaries, in accordance with section 289 (2) no. 4 of the HGB
- Report submitted by the Board of Managing Directors on relations with affiliated companies, in accordance with section 312 of the German Public Limited Companies Act *(AktG)*
- Report on expected developments 2008/2009, in accordance with section 315 (1) sentence 5 of the HGB

Since the DVB Group does not undertake any research and development activities, the Company does not prepare a corresponding report in accordance with section 315 (3) of the HGB.

2. DVB's strategic positioning

With its products and services, DVB Group is uniquely focused on select segments of the international transport markets.

2.1 Mission Statement

We segment the global transport market into shipping, aviation and land transport. DVB is a highly specialised niche player serving these transport segments.

Over the years, we have continuously enhanced our core skills. Essentially, we offer five kinds of value-adding products and services to approximately 500 clients in Shipping, Aviation and Land Transport. Leveraging DVB's in-depth proprietary asset and market research, analysing transport means and operators as well as transport markets, we offer our clients a range of value-added products comprising structured asset financing, equity sourcing and investments, risk distribution, advisory services as well as loan participations.

Shipping | **Aviation** | **Land Transport**

- Structured Asset Financing
- Equity Sourcing and Investments
- Risk Distribution
- Advisory Services
- Loan Participations

Asset & Market Research

Our business model is well-defined and unique, and for this reason our Mission Statement captures both our real accomplishments and our vision of the future.

We are the leading specialist in international transport finance.

2.2 Core products and services

Structured Asset Financing

Drawing on our core service Structured Asset Financing, 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 und 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 sectors. This purpose in mind, our Investment Management Division has launched funds in the areas of Shipping (NFC Shipping Funds), Aviation (Deucalion Aviation Funds), Cruise Finance (Cruise/Ferry Fund), Intermodal Equipment (Container Investment Fund), and Rail Rolling Stock (Stephenson Capital). The funds put us in a position 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. Notwithstanding this commitment, we syndicate portions of this lending volume – which can be substantial – to other financial institutions on the international banking market. Both for DVB and its clients, this placement of credit risks is important to ensure sufficient liquidity and adequate risk transfer.

Advisory Services

DVB's involvement in the value creation chain affecting the various transport sectors in the global transport market is not restricted to providing finance, but includes advisory services as well. In fact, we offer a range of advisory services for Shipping, Aviation and Land Transport 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 is actively participating in international senior asset-based lending.

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 the raising of equity finance.

2.3 Enhancing of 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 DVB:

Business divisions	Shipping	Aviation	Land Transport	Investment Mangement	ITF Suisse
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 in:** - Shipping - Aviation - Cruise - Intermodal Equipment - Rail Rolling Stock	**Via the inter-bank Market**
Products and services	- Structured Asset Financing - Risk Distribution - Advisory Services - Equity Underwriting	- Structured Asset Financing - Risk Distribution - Advisory Services - Aviation Asset Management - TES Aviation Group	- Structured Asset Financing - Risk Distribution - Advisory Services	- Equity Sourcing and Investments	- Loan Participations (Senior Asset-based Lending)
Asset & Market Research					

DVB – the asset specialist

In 2007, DVB demonstrated that in addition to being a financing and advisory specialist, we provide our clients with services that focus closely on the specific assets of a given transport segment. Thus, we offer far more than the traditional range of banking services. Our asset-focused services are available to operators and investors, but also to our competitors.

Based in London, Aviation Asset Management provides our Aviation clients with a broad spectrum of services ranging from lease management, advisory, technical management and analysis to remarketing.

Further highly client-specific services covering

- aircraft engines (TES Aviation Group, Cardiff) and
- intermodal transport assets such as container boxes
  (Equipment Trading Platform of our Container Business Unit)

help us gain even more intimate expertise with the nature of the various assets: literally, the ‘metal’ that we are dealing with. We offer our clients a unique profile of expertise, experience and competence in execution.

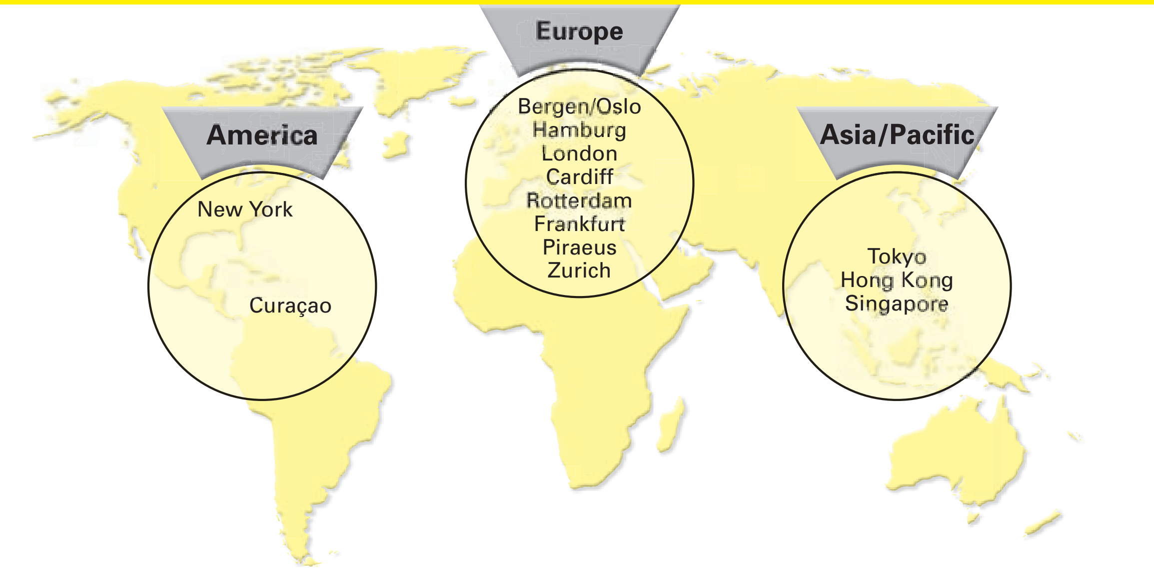
US capital markets products for Shipping clients

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

2.4 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 the international dimension as well as the local specifics of the markets in which our clients operate.

Global coverage



On the 1st of January 2008, DVB's Shipping Division introduced a new organisational structure, focusing on the key shipping sectors. Our sector-specific organisational structure is unique in the global shipping industry. We felt encouraged to adopt the structure by the success of three teams of specialists set up in recent years:

- Container Box Unit (2003);
- Cruise Finance Unit (2005); and
- FPSO Unit (Floating Production Storage and Offloading – 2006).

We came to recognise that the individual requirements of our clients can be served even better by taking a sector-specific approach. The new organisational structure facilitates the effort to further expand DVB's expertise in select segments. Moreover, it will enable the Group to gain a truly global insight and assessment on each given sector. In this way, we build more competence to the benefit of our clients.

Shipping – *Three existing* and seven new 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
- Product Tanker Group

2.5 DVB's competitive strengths

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.

The client survey conducted in 2006 produced evidence that our key strengths lie in our know-how, our experience and our capacity to offer flexible solutions. We are considered among the "most knowledgeable, most experienced, most responsive and most flexible institutions" in the market. Our focus on assets puts us in a position to accompany our clients with sophisticated financing solutions at any stage of a sector's business cycle. Complete dedication to the international transport industry makes us a reliable and long-term partner.

Our key competitive strengths distinguish us from other market participants:

- a ***unique focus*** on financing requirements in select sub-sectors of the international transport market;
- ***proprietary asset research*** in Shipping, Aviation and Land Transport;
- broad ***risk diversification*** within a given sub-sector;
- ***professionals with specialised expertise*** in financing issues and advisory competence geared to select sub-sectors; and
- ***highly efficient decision-making structures*** and our decentralised positioning in the international transport markets.

2.6 Consistent industry focus

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

3. Business and operating environment – Transport Finance

In this section entitled "Business and operating environment – Transport Finance", we illustrate the key drivers of our business activities in the international transport markets as well as the development of our Transport Finance portfolios, and our fund management activities within the scope of Investment Management. Furthermore, we present the business model of ITF Suisse, our Swiss subsidiary established in 2007.

3.1 Transport Finance – Shipping

3.1.1 Shipping – Market review

Abbreviations Shipping – Market review

BHP	*Brake Horsepower*
DP	*Dynamic Positioning*
dwt	*Dead weight tons*
GDP	*Gross domestic product*
GW	*Gigawatt*
OPEC	*Organization of the Petroleum Exporting Countries*
OSV	*Offshore Supply Vessel*
ROV	*Remotely Operated Vehicle*
TEU	*Twenty Foot Equivalent Unit*
VLCC	*Very Large Crude Carrier*

From a financial perspective, 2007 will be remembered as a dichotomous year. The first half was characterised by growing optimism all around, followed by a second half, teeming with distrust between financial institutions and uncertainty that persists regarding future economic growth. The conundrum that confronts us moving forward is: how obstinate can uncertainty be? However, shipping markets overall enjoyed another good year, buoyed by demand growth that continued to defy the pessimists.

The financial crisis that led to this transformation in mid-2007 had its genesis in sub-prime lending, in the US. Losses synonymous with this event are likely to exceed the US$150 billion declared thus far and will continue through 2008 as financial institutions report year-end results, with some predicting US$400 bn+. The fallout however, has had its repercussions, worldwide. These developments have highlighted how complex and illiquid structured securities can be, and the extent to which the world financial system is integrated. The resulting lack of confidence between financial institutions, together with falling housing prices, has manifested itself in slower US economic activity.

Outside the US, there are signs of an economic slowdown in Europe and Japan. The ever-increasing price of oil which consumers seemed to have taken in their stride initially now appears to have reached a threshold. With Chinese and Indian demand for oil increasing, overall energy demand is likely to keep growing by 3.5% annually. In light of which, the probability of oil prices retreating significantly appears unlikely. Despite the discouraging current economic landscape and challenges in the financial markets, there are elements which one can draw comfort from. The proliferation of sovereign wealth funds augurs well for market liquidity. The growing middle classes in China and India are generating a level of domestic demand that should compensate somewhat for slowing US demand. The encouraging elements in the Q4 2007 US GDP figures, are the lower inventory levels which can be expected to increase in 2008 and that consumer spending, a major US GDP contributor, actually grew in the 4Q 2007! In light of which, the administration's initiative to put more money in the hands of Americans, via lower interest rates, incentives and tax breaks is promising and will boost the slowing US economy. If the gains in security achieved in Iraq in recent months are built upon, it should buoy overall economic prospects. Furthermore, the weaker US-dollar has seen US exports increase; a trend that should continue through 2008.

Uncertainty in markets creates added unease; even more than a market downturn. Opinions as to future world economic direction have been varied, as have the remedies put forth. Nevertheless, the extent to which Central Banks across the world have acted in unison to address market uncertainty is very encouraging. It is reflective of the global economy we are growing into and, the larger contribution and sense of joint responsibility being demonstrated by the various players. Despite this, uncertainty shows every likelihood of persisting and remaining fairly obstinate. Nevertheless, while the risks are elevated and remain towards the downside, there are adequate elements and evidence in place to suggest that economic activity in 2008 could be ahead of expectations.

The area of maritime shipping that has garnered increased attention from all market participants of late has been the shipyards. The demand for tonnage, and the willingness of shipowners to contract vessels for delivery dates well into the future, is a sign of the changing times the industry is in. It was only at the turn of the century that the world shipping Orderbook exceeded 100 million dwt for the first time. A measure of how strong and sustained the shipping market has been across sectors is evident in last year's Orderbook, which surpassed the 500-million-dwt mark. Contracting in 2007 registered a stupendous 51% increase in dwt terms over 2006. This sustained demand for additional tonnage is virtually unprecedented. The rapid increase in the number of shipyards has brought with it some apprehension from industry participants. In particular, with respect to the ability of newly established yards to maintain the requisite standards of quality, as well as the various bottlenecks that shipyards face while meeting delivery schedules. The rapidly expanding world fleet furthermore heightens the daunting challenge of adequately manning the maritime fleet of tomorrow with personnel of calibre.

3.1.1.1 Crude oil tankers

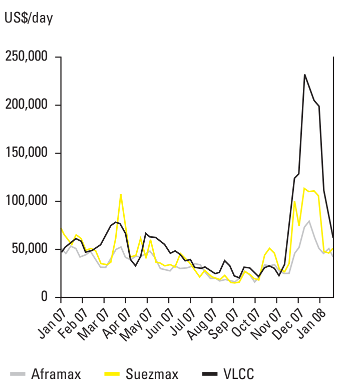
Crude oil tankers enjoyed a relatively good start to the year in 2007. Through most of the first half of 2007, Suezmaxes and Aframaxes saw earnings equal to or even slightly higher, than the previous year and a late winter rally brought average earnings for VLCCs to respectable levels as well. However the overall average y-on-y time charter equivalent was down across all sub sectors.

Average world scale rate in time charter equivalent 2004–2007 (US$)	5-year-average (2003–2007)	2003	2004	2005	2006	**2007**	Change 2006–2007 %
VLCC	65,809	52,453	96,055	60,319	63,073	57,147	–9%
Suezmax	53,462	41,648	73,912	53,827	53,097	44,825	–16%
Aframax	40,198	34,213	49,775	41,835	39,356	35,810	–9%

Source: Clarkson Research Services Ltd.

Concerned by falling oil prices, OPEC cut production in February 2007 by 0.5 mbd, in addition to the 1.2 mbd production cut instituted in November 2006. The oil price, which had bottomed out at US$50 per barrel (WTI spot price) in January 2007, followed an upward trend throughout the rest of the year until it had nearly doubled, to US$99.16 on 22 November. The combined effect of reduced OPEC production volumes and an oil price in backwardation led to slower demand for crude oil tankers, and freight rates were pushed down to their lowest levels in four years. Many owners of older single-hull tonnage were tempted by better prospects in other markets and an increasing number of tankers were reported sold for conversion to other types of vessels. This was particularly true for VLCCs, with growing imports of iron ore from Australia and Brazil to China creating lucrative opportunities for conversions to VLOCs (Very Large Ore Carriers). However smaller tankers were also converted, to double hulls, or to Dry Bulk, Heavy Lift or Floating Storage and/or Production units (FSOs and FPSOs).

Average crude tanker spot earnings 2007



Source: Clarkson Research Services Ltd.

The removal of conversion candidates from the tanker market gained momentum at the same time, as many tankers were slow steaming due to high bunker costs, thus reducing the availability of tonnage for spot cargoes. Saudi Arabia's larger than normal discounts for December liftings for its US and Asian customers created vessel demand, rapidly. Tanker markets reacted, with freight rates for VLCCs jumping from US$22,000/day in the first week of November to more than US$230,000/day by the second week of December. Although not to the same extent, Suezmax and Aframax markets were also lifted by the sharp recovery in VLCC rates.

In the crude oil sector, conversion projects will continue to dampen the effect of record high numbers of newbuild deliveries in 2008, especially in the largest sectors. As many as 75 VLCCs 'could' be taken out of the market as a result of conversions in 2007 and 2008 combined, while a total of 76 newbuilds will be delivered over the same period. Assuming that all conversion candidates are actually removed from the oil trade and the world economy escapes a severe slowdown, we could witness a shortage of tonnage and increased volatility in VLCC markets. Suezmax and Aframax markets will also benefit from improved trading conditions for VLCCs, although the numbers of conversions are fewer in these sectors.

3.1.1.2 Dry Bulk sector

The Dry Bulk sector is in what has been termed as a "super cycle". The Baltic Dry Index (BDI), which is the composite global dry bulk shipping index, rocketed from 4,421 points in January 2007 to a peak of 11,039 points in November 2007, before ending the year at 9,143 points, an increase of 107%, in a 12-month period. The biggest driver has been the y-o-y near double-digit GDP growth in emerging countries, led by China.

High freight rates encouraged contracting in the Dry Bulk sector, reaching 'worrying levels'; some 1,655 vessels – equating to 144 million dwt out of the total Orderbook of 2,527 vessels with a total of 210 million dwt – were contracted in 2007 alone.

The outlook for Dry Bulk cargoes is undoubtedly bullish; despite the sharp decline seen in the BDI within the first month of 2008. The Chinese appetite for raw materials has generated significant increase in demand, and also resulted in new and emerging trade lanes (Brazil – China, Africa – China, Brazil – India, Indonesia – India/Japan/Korea), effectively increasing the tonne mile demand, defined as the distance travelled by one tonne of commodity to reach its destination. The increase in tonne mile demand has the effect of increasing fleet utilisation. Furthermore, port congestion as a result of a strain on other logistical bottlenecks, such as road rail and terminals, has further reduced vessel utilisation.

Demand for iron ore, which is the most widely transported commodity on board dry bulk vessels, is expected to increase 35%, from 728 million dwt in 2006, to 982 million dwt by 2010.

Coal, which is used in both the steel and power industries, is the next-most traded commodity on dry bulk carriers. India is expected to a deficit of about 90 million tons of coal by 2010. China, as we know, is adding 1GW of coal fired power plants every week. Increase in the US to Europe coal trade is being watched very closely, which in 2007 greatly benefited the Panamax trades.

Grain, the other major commodity transported by sea, is also growing in demand. Increasing demand from growing populations across the world, mainly Asia, coupled with droughts in Australia (one of the largest exporters of food grain) has benefited tonne mile demand.

The current dry bulk fleet stands at 6,755 vessels (375 million dwt), with 2,527 vessels on order, (210 million dwt) representing 56% in dwt terms. As mentioned earlier, 68% of these in dwt terms were contracted in 2007. The dry bulk market is still very high compared to historical earning and there has been no change observed in basic fundamental demand drivers. In 2008, the dry bulk fleet is expected to grow by about 411 vessels (27 million dwt) while we are still awaiting reports of some 97 vessels (5 million dwt) which were due for delivery in 2007. Taking into account all the above factors, these vessels are expected to be absorbed into the fleet.

3.1.1.3 Container shipping

Container shipping was carried on the shoulders of the Far East to Europe trade in 2007. In doing so, it more than made up, for the sluggishness of the Transpacific and Transatlantic trades, which was challenged by the diminishing consumer sentiment in the US. The healthy increase in westbound freight rates on the buoyant Far East-Europe services resulted in container shipping lines having a moderately good year.

In 2007, there were 494 container vessels contracted for a combined capacity of 3,081,707 TEUs. The rapidly growing arterial trades have led to container vessels becoming increasingly larger. A significant development during the course of 2007 was the surge in contracting of vessels of capacity 10,000+ TEUs. In all, 128 vessels of such capacity were contracted: an incredible number when one considers that the current fleet of similar vessels totals a mere nine vessels!

Newbuild prices rose from already high levels during 2007, and given the level of activity at established yards, prices are unlikely to dip significantly anytime soon. Charter rates – although low in comparison to newbuild prices – are above historical levels and can be expected to hold their own in 2008.

However, container shipping is not without its challenges. Bunker fuel prices increased by 74% in 2007, to US$420.25 from US$242 at Rotterdam (Source: OW bunker UK) and such continued price escalation remains the main source of concern. Port congestion in Europe could be an issue this year, should the Far East to Europe trade continue its growth rate of 20% in recent years. With freight rates and charter rates in dollars, the stronger euro will further impact Lines calling at European ports. Additionally, with Liner conferences coming to an end in Europe as of October 2008, the structure of freight rates is expected to alter. The impact of which is likely to be felt largely by the smaller Lines.

Expectations are that a combination of robust demand on the westbound leg of the Far East-Europe trade lane, slower vessel steaming, heavier boxes, port congestion, along with some slippage in deliveries, will keep the supply/demand in container shipping fairly balanced during 2008.

3.1.1.4 Cruise sector

Cruise operators have enjoyed a good year, achieving high utilisation levels and healthy net yields. Cruise Line International Association, whose membership includes most of the major cruise Lines, estimates that their members Lines carried 12.6 million passengers in 2007, representing an increase of 4.6% over 2006.

As the cruise market grows there is a distinct move, towards larger vessels with five Lines set to commence operating their biggest cruise newbuilds in 2008. Along with the Contemporary and Premium segments of the market, where most of the large cruise ships operate, there has been a growing demand for luxury cruising. This segment of the market contracted newbuilds for the first time in 2007 after many years. In all, this year will see ten newbuilds join the fleet. For the first time, many of the newbuilds are earmarked for the European market; which marks a shift from newbuilds being traditionally deployed in the Caribbean region for the American market. The centre of gravity of cruise shipping has distinctly moved eastwards, through the growing number of European-sourced passengers.

While the outlook for the cruise industry is good, challenges by way of increasing operating costs are threatening to constrain profitability. Rising bunker costs for example, have impacted earnings considerably. The issue is being addressed, with Lines instituting supplementary fuel charges during the fourth quarter. The ability of Lines to continue to pass on these additional costs to their passengers be it due operating requirements, environmental regulations, or higher port dues, will be significant in the financial success the industry achieves.

3.1.1.5 Offshore sector

The Offshore Sector is robust with activity, buoyed by growing oil demand, record prices and depleting oil reserves. The quest for oil and gas has forced all sectors of the offshore industry to face new challenges, whether they be in the area of drilling, production or maintaining ongoing services. Deeper waters, harsher environments, and extensive subsea activity has raised requirements for the offshore supply service providers. Sourcing skilled workers for all offshore sectors has as a result become extremely challenging. The OSV fleet is responding with newbuilds of larger BHP, dwt, cargo and deck space, multifunctional options such as Moon-pool, DP, ROVs – and of course a better cruising range and the ability to operate in harsh environments.

In the area of drilling we see an increase in drilling depth extending to 12,000 ft with many untested issues of back pressure and blow out at these depths.

In the area of offshore production, dealing with harsher environments will be the key; such as incorporating DP sophistication, which currently is on a limited number of FPSO units.

3.1.1.6 Container box market

The container box market had a strong year in 2007. Global container transport volume increased substantially, and vessel capacity grew 13.6% from 9.5 million TEU (end of 2006) to 10.8 million TEU (end of 2007).This market growth, together with an increasing fleet of aging containers that require replacement, resulted in strong demand for new container boxes. With new container vessel capacity on order representing about 60% of the active fleet in service today, the market outlook remains strong, since new container vessels will require at least two TEU of containers for every TEU slot capacity added.

After significant price fluctuations in previous years, container prices were relatively stable during 2007 at around US$1,950 for a standard 20’ box, about US$100 up from 2006. The long-term downward trend in container prices that prevailed until 2002/2003 seems to have reversed due to continuing strong demand, consolidation amongst manufacturers and last – but certainly not least – significant increases in raw material costs, especially steel and wooden floorboards.

Despite good demand for new containers, and high fleet utilisation, leasing companies continued to suffer under lease-rate pressure. The initial cash investment return dropped to just over 11%, compared to 19% ten years ago and 29% twenty years ago. Given this rate pressure, container lessors have had to rely more and more on the residual value of older containers. With ample demand for used containers, 12-15 year old 20’ standard containers still fetched well over 50% of the current new container prices.

In the quest for ultimate low funding costs, traditional leasing companies are selling major parts of their fleets to financial investors that have lower return requirements. The leasing companies subsequently receive management fees, and are entitled to share in the residual value of the equipment.

3.1.2 Shipping – Strategy

2007 has seen sustained growth in the shipping market, despite global economic slowdown. Will this scenario persist?

2007 saw another year of strong results from shipping companies. However, the industry continued to exhibit warning signs of slowing down. These signs became particularly evident towards the end of the year. During 2007 we saw the trend continuing from the previous year – of shipowners keen to capitalise on new yard capacity by ordering new tonnage despite higher premiums being demanded. This has created new tonnage, deliveries, which in 2007 enabled global market needs to be met. We saw consumer demand continuing to increase, powered by wealth creation in emerging markets like China and India and combined with easier access to goods. Historically we have never seen such long spikes as those witnessed in the 2006 and 2007 shipping markets. Response to this strong demand has been met by a renewing of world fleets, with orders being placed for vessel deliveries between 2009 and 2010 when the impact of the additional tonnage will really be felt by the shipping market. DVB is taking a cautious approach, although we see a continued demand for shipping.

The main forward strategy for DVB's Shipping Division has been to reorganise its structure during 2007 to deal with the changing market, and to meet the specific needs of present and potential customers. Over the past few years the Shipping Division witnessed each of the vessel type sectors growing and maturing into their own markets. We recognised specialist knowledge in each of these markets as being extremely valuable to our customers, providing them with a global view of the markets that they are operating in. In the course of the year the Shipping Division moved away from the traditional regional model in operation throughout the DVB global network, to embrace a pure sector-specific approach.

One of the additional factors in moving further to a sector-specific approach was based on the success (and testing of the model) of the existing groups. As of 1 January 2008, therefore, there are seven new sector groups in addition to the three existing successful sector groups. DVB is the first Shipping financier of its kind to implement such a complete sector approach. The new sector groups are global, with group members from each of the teams being located within DVB's existing global office network. These global teams will work very closely with the major shipowners and operators in these markets, together with our research department, in assisting us to steer our portfolio and increase profitability. Overall, the new sector-specific approach marks a change in core focus for the Shipping Division from previous years, placing stronger emphasis on our specialised competence, deploying specialist knowledge in the sector groups, and seeking to enhance our portfolio's risk profile.

The ten sector groups are:

- Container Box Group (established in 2003);
- Cruise & Ferry Group (established in 2005);
- Floating Production Group (established in 2006);
- Crude Oil & LNG Tanker Group;
- Chemical & LPG Tanker Group;
- Container Vessel Group;
- Dry Bulk Group;
- Offshore Drilling Group;
- Offshore Support Group; and
- Product Tanker Group.

3.1.3 Shipping – Products

3.1.3.1 Structured Asset Financing

The Shipping Division globally offers the following products under its umbrella: Structured Asset Financing, Advisory Services and Equity Underwriting. Our Shipping clients are also able to capitalise on the Risk Distribution products offered by our independent Syndications unit.

Structured Asset Financing remains the core of DVB's business. It comprises two components – asset-backed lending, and all structuring activities.

DVB is one of the market leaders in asset-based lending in the Shipping industry, with a loan portfolio of €8,383.7 million at the end of 2007 (€6,712.4 million in 2006, a rise of 24.9%). The relationship managers work actively in the markets, arranging and structuring financing for top shipping companies providing – amongst other products – senior, junior and mezzanine loans, and other types of structured loans.

Under the umbrella of the Shipping Division, 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). Besides some of the well-known structures, SAF has developed several unique and sometimes proprietary structures.

The transactions are commonly structured as leases on ships or other assets, and achieve significant reduction in financing cost. In exchange, they reduce the flexibility for shipowners to trade their assets.

The UK lease has been the most popular lease product for shipowners for at least a decade. Due to significant changes in UK legislation we feel that the risk-reward ratio is not balanced anymore, and as a result DVB does not promote new UK leases with shipowners.

In 2007, SAF launched two new products. The first one is a Put Option on ships that mitigates the asset risk. This product has been mainly developed for financial investors in shipping that are interested in exchanging a portion of their expected return for a degree of downside protection. Secondly, a US lease product has been developed for top-tier shipping companies.

3.1.3.2 Advisory Services

The Shipping Division offers Advisory Services to its international clients, via the Advisory and M&A unit.

The transport sector, particularly shipping, has over the last several years become increasingly visible and attractive to the global financial community. In addition to continued and increasing M&A activity in both the public and private markets, several new financial players have entered the market to provide financing for transport companies. These include private equity houses, special purpose acquisition vehicles and hedge funds.

In 2007, demand for transport continued to grow rapidly along with the world economy. Recognition of, and growing confidence in these trends increased the deal volume in the sector. 2007 saw an increasing number of M&A transactions of which more than 70 (compared with 25 in 2006) were in the shipping industry. Of these, 21 involved private equity and other investment funds. In 2007 (as in 2006), transportation companies increasingly considered horizontal and vertical integration through M&A to be preferable to acquiring second-hand vessels or waiting for newbuilds. Investment through initial public offerings, private equity houses and specialised investors (KGs, KSs etc) amounted to over US$15 billion (compared to US$10 billion in 2006).

Our Advisory and M&A team comprises highly experienced individuals, based in London and New York, specialised 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 Group 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, while being able to draw upon the entire resources of DVB for the client's benefit.

3.1.3.3 Equity Underwriting

Our 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 FINRA (formerly known as the National Association of Securities Dealers).

We believe that development of a capital markets capability enhances DVB's transport finance franchise by deepening the range of products we offer our client base. Specifically, the Capital Markets team allows our 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.

3.1.4 Shipping – Portfolio analysis

2007 was once again an excellent year in terms of performance for DVB's Shipping Division, with our results providing yet another record-breaking year.

3.1.4.1 Development in Structured Asset Financing

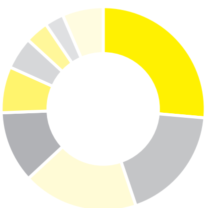
The volume of customer lending (loans and advances to customers, loan commitments, indemnities and guarantees) for 2007 improved 24.9% over 2006, rising from €6.71 billion to €8.38 billion. During 2007 there were 174 new transactions, compared to 143 new transactions for 2006. These new transactions resulted in €5.08 billion of loans being underwritten; a 27.9% increase from 2006 and a 59.1% increase from 2005.

There has been a steady growth in the portfolio since 2003, reflecting DVB's appetite for new transactions. The lending volume figures and new transactions were particularly remarkable given that 2007 was another year of high refinancing, despite many banks being impacted by the global credit crunch. The total pre- and repayments were 58% of the existing loan portfolio compared to 46% in 2006. We forecast fewer pre- and repayments for 2008. We saw total margins for new business show signs of slight increase compared to last year, as some of the top banks also slowed down their volumes for new business, especially in the final quarter of 2007. The impact of this was less intensive competition, and better financing terms for DVB's Shipping Division.

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

- The Cruise & Ferry Group raised its share of the portfolio from 8.1% in 2006 to 10.3% of the portfolio in 2007. Thus, the exposure of the Cruise unit established in 2005 doubled from 3.6% in 2006 to 7.3% in 2007.
- The Shipping Division's offshore sectors (established in 2005) including offshore support vessels, FPSOs and drilling rigs, increased its share of the portfolio from 18.0% of the portfolio in 2006 to 22.0% in 2007. This was in line with the Shipping Division's expansion into these asset types, and reflects the current strong market trends for such assets.
- In the tanker sector (including crude oil, product, chemical and gas tankers) we saw a reduction in our portfolio size from a total of 39.2% in 2006 to a total of 26.4%.

Shipping portfolio by vessel type



Tankers thereof:	26.4%	
	8.3%	Crude oil tankers
	8.2%	Product tankers
	7.2%	Chemical tankers
	2.7%	Gas tankers
Bulk carriers	18.4%	
Offshore vessels	18.3%	
Container carriers	11.3%	
Cruise	7.3%	
Container boxes	5.1%	
F(P)SO	3.7%	
Ferries/passenger vessels	3.0%	
Others thereof:	6.5%	
	1.7%	Car carriers
	1.7%	General cargo
	1.6%	Reefers
	0.6%	Roll-on/Roll-off vessels
	0.3%	Combination carriers
	0.6%	Miscellaneous

- In relation to crude oil tankers, DVB continued to take a cautious approach, especially in relation to its exposure to single-hull crude tankers. Our Shipping Division monitored this exposure throughout the year. We saw the exposure decrease from €104.4 million to €40.5 million in 2007 with a complete run-down of the single-hull crude oil tankers to less than scrap value of the vessels 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.

- The container vessel exposure remained relatively stable, maintaining a healthy 11.3% share of the portfolio.

- The largest increase in the portfolio in terms of vessel size was seen in the bulk carriers, which doubled. The portfolio in relation to dry bulk carriers was €613.3 million at the end of 2006 and ended 2007 at €1,425.3 million (9.8% and 18.4% respectively). This was again in line with the Shipping Division's strategy to further diversify the existing portfolio, and to expand the exposure on bulk carriers.

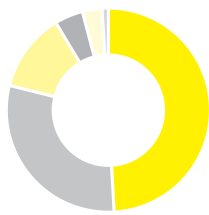
The loan-to-value ratios for the rest of the portfolio also remain healthy, with 84.2% of the portfolio being under 60% loan-to-value.

The average lending exposure per client has increased slightly from 2006 because of the increases that we have seen in asset values across the board. The increase per average lending exposure per loan for 2007 was €30.7 million compared to €27.0 million in 2006. We have also seen increases in the number of clients where our Shipping Division has committed to exposures exceeding €50 million. The number of such exposures in 2007 was 41 compared to 2006 where the figure was 35.

DVB has maintained its diligent manner, with the Risk Department reviewing all loans and paying attention to close monitoring of those loans – taking any remedial action if required, in particular to 'watch list' loans. DVB recorded zero losses during 2007 in terms of loans. As well a monitoring the portfolio, our Research has again contributed by providing detailed and accurate analysis of the market and the various new sector groups. These two elements remain core to the Shipping Division, in ensuring that the portfolio is well diversified with little risk exposure.

Portfolio exposure by economic risk country also remained well diversified. Our Shipping Division has seen increases in portfolio for countries such as Greece (9.8% of the portfolio). The larger changes have occurred in Asia where our Shipping portfolio by economic risk per country has grown – with South Korea now being 10.2% of the portfolio and China growing to 5.0% of the portfolio. This is mainly due to predelivery finance. We have seen decreases, most notably in Norway which now only represents 9.2% of our portfolio.

Shipping portfolio by economic risk country



Europe	49.9%	
thereof:	9.8%	Greece
	9.2%	Norway
	7.7%	Germany
	3.1%	France
	3.0%	Cyprus
	2.7%	Netherlands
	2.4%	UK
	12.0%	Others
Australia/Asia	29.8%	
thereof:	10.2%	South Korea
	5.0%	China
	4.8%	Singapore
	2.9%	Japan
	2.4%	Hong Kong
	2.2%	India
	2.3%	Others
North and South America	12.5%	
thereof:	9.5%	USA
	3.0%	Others
Offshore	4.5%	
Middle East	3.1%	
Central America/ Caribbean	0.2%	

The Shipping Division attributes this record-breaking year to once again monitoring the risks, understanding the assets and the markets. The changes seen in 2007 reflect attractive business opportunities that DVB's Shipping Division has been involved in. With the new Sector Groups coming into existence from 1 January 2008 we see the portfolio maintaining its diversification and continuing its success.

In 2007, our Structured Asset Finance team completed transactions for over US$1 billion worth of assets. Transactions included a flexible fleet financing for a European owner, based on Tonnage Tax; two transactions for a global shipping group based on debt and equity funding via Tonnage Tax; as well a successful restructuring of two UK leases for a UK-based owner. Several other transactions to restructure UK leases are in progress.

The transactions are commonly structured as leases on ships or other assets and achieve significant reduction in financing cost. In exchange, they reduce the flexibility for ship owners to trade their assets. The abundance of liquidity in the first three quarters of 2007 and the high profit margins in the shipping market reduced the appetite for these products. From the last quarter in 2007 we have seen a rapid tightening of available credit, increased pricing of debt and equity and declining profit margins due to lower freight rates and increased costs. As a result, the market for structured asset finance solutions seems to be changing: owners are showing increased appetite for cost-efficient financing.

3.1.4.2 Development in Advisory Services

In 2007, Advisory and M&A was mandated on twelve assignments. Advisory and M&A generates income for DVB by charging fees for advice provided and financing raised, and therefore does not place the Bank's capital at risk. The transactions it completes are generally high profile, raising market awareness of DVB's clients and of DVB itself.

3.1.4.3 Development in Equity Underwriting

In 2007, the Capital Markets Group significantly increased its presence in the market, participating as a co-managing underwriter on five public offerings representing US$890 million of capital. Continued growth is planned for 2008/2009 as the Group is increasing marketing activities and selectively adding experienced capital markets professionals to its staff.

3.2 Transport Finance – Aviation

3.2.1 Aviation – Market review

During 2007, the aviation industry was finally able to warm itself under sunny skies in almost all geographical areas and segments of the market. Despite continuing high temperatures even in Q4 2007, towards the end of the year the weather forecast for the industry turned more gloomy with potential storm clouds gathering in the form of the credit crisis, higher fuel prices and the prospect of an economic recession in the US.

Global airlines finally enjoyed modest profitability during 2007, albeit the results varied from region to region. Commercial jet manufacturers and engine suppliers booked a record volume of new orders and saw their backlog increase to unprecedented levels. Despite earlier worries about overheating, even the aircraft leasing and trading market was able to maintain lease rates and used equipment transaction prices at relatively high levels. With almost all modern commercial jets redeployed, many airlines had difficulties securing short-term additional capacity, either for their core fleets or as interim lift. One of the few slightly disappointing market segments was the air cargo market, where growth was rather sluggish and certainly below projected trend levels.

Abbreviations Aviation – Market review

IATA	*International Air Transport Association*
ICAO	*International Civil Aviation Organisation*

3.2.1.1 Air transport developments

According to preliminary ICAO figures, growth of passenger traffic - expressed in terms of passenger kilometres – accelerated slightly during 2007. Whereas in 2006 growth declined to 5.9% from the 8% achieved a year earlier, growth in 2007 is estimated to end close to 6.6%, slightly above the long-term trend projections. International traffic increased by 7.3% but the individual regions showed growth percentages ranging from 5.5% in North America to 19% in the Middle East. Domestic traffic figures were well below international levels, with the important North American market only increasing by 2.9% and Europe remaining stagnant. Asia/Pacific markets demonstrated their strength once more, with 14% growth.

As in 2006, 2007 saw global capacity also lagging traffic growth: passenger load factors once more increased to an estimated 76.5%, up from the historically already very high 75.8% the year before.

In terms of traffic volume growth expressed in freight ton kilometres, international air freight had enjoyed a number of good years since 2001, with 2004 the peak of that cycle at an annual growth level of 11%. After more modest figures in 2005 and 2006, the freight market clearly disappointed many in 2007 with a preliminary growth figure of only 3.5%. Although no single cause for this sluggishness can been identified, several factors have been mentioned, ranging from a slowdown of the economy via the impact of higher air fares caused by high fuel prices, to the increased competitiveness of container ships providing higher frequency services, a more favourable environmental image and competitive freight rates.

Global airlines reported modest profitability in 2007, thanks to a strong yield environment and high load factors. After the ocean of red ink in the period 2001–2006, with estimated total net losses of around US$42 billion, the latest IATA projection sees global airlines booking an estimated net profit of US$5.6 billion in 2007. The big difference with 2006 was the turnaround in the results of the North American carriers, going from a US$2.7 billion net loss to a net profit of the same amount. If confirmed, this would turn North America into the most profitable IATA region in absolute terms. Europe is expected to generate a profit of US$2.1 billion and Asia/Pacific US$0.7 billion. The Middle East will contribute US$0.2 billion with Africa and Latin America booking a net loss of US$0.1 billion each. Unfortunately, IATA expects that 2007 has marked the peak of the cycle and forecasts lower results for 2008 because of the negative impact of the credit crisis, higher fuel prices and a likely US recession.

With respect to intra-industry developments, 2007 didn't bring any of the significant consolidation that was expected. Toward the end of the year however indications got stronger that during 2008 some of the long-expected mergers could materialise. In Europe KLM/Air France are likely to take over ailing Alitalia. This may inspire the other major European flag carriers like British Airways and Lufthansa to take initiatives that would close the gap. In the US, merger rumours continued to circulate around Delta, United and Northwest. With increasing pressure on airline results, industry consolidation may very well accelerate.

3.2.1.2 New aircraft market

Contrary to what was expected at the end of 2006, 2007 proved to be another record year for commercial aircraft orders. According to the independent Ascend CASE database, a total of 3,375 western-built jets were ordered during the year, an increase of about 40% compared to the 2,397 reported the year before. (CASE data may deviate slightly from figures reported by the manufacturers, due to different accounting of type-changes, cancellations and "undisclosed" orders.)

Based on net order figures reported by the manufacturers, Boeing took the largest slice of the order-pie with 1,423 gross orders, –/–10 changes and consequently 1,413 net orders. The Boeing 737 Next Generation family once more was the Seattle-based manufacturer's best selling product, with 846 net orders, followed by the new Boeing 787 "Dreamliner" that netted 369 orders, despite program delays that postponed the first flight from late 2007 to mid-2008. The B767 booked some orders as it enjoys a second lease of life. The B777 continued to enjoy market popularity, but the focus has clearly shifted from the smaller -200ER to the stretched -300ER as well as the Freighter version. A battle seems to be developing between the Boeing 777-300ER and the new A350XWB-1000. With the A350 promising significant improvements in operating costs, it remains to be seen if Boeing can maintain the 777 as its platform, or if the market will force a major modernisation or even a completely new design. The B747-8 did not achieve a breakthrough in the passenger market and has to rely on demand from the cargo market, a market where the top segment is now clearly dominated by Boeing with the B747-8F and the B777LRF.

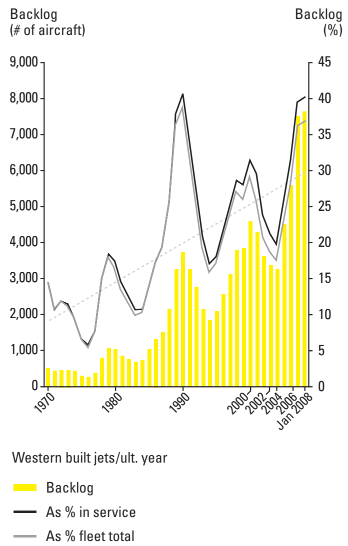
Based on gross order intake, Airbus beat Boeing with 1,458 new orders, but –/–117 net changes resulted in a net order intake of "only" 1,341. The A320 family once more was the Toulouse based manufacturer's best seller. The "family" scored 913 sales. With 196 net orders, the A330 (now including a freighter version) continued its success story, despite the threat of being overshadowed by new technology aircraft. The long-haul, four-engined A340 range lost 32 orders, while Airbus' change from the old design A350 to the new A350XWB resulted in 72 cancellations for the old design but with 290 orders for the "XWB" still achieved a gain of 218. The flagship A380 finally entered airline service, after having lost its last freighter client but having gained some important passenger customers, including British Airways.

In the regional jet segment of the market Brazilian manufacturer Embraer enjoyed a good order intake for its E170/190 family. CASE reported a gross order intake of 180 planes, while the manufacturer's own figures indicate 145 net orders. The Embraer 190 remains by far the most popular version with over 50% of the E-Jet's orders. Sales of the smaller ERJ-family remained stagnant in 2007, although production in the Chinese "Harbin" plant continues and the Corporate Jet versions are still booking orders. Canada's Bombardier booked a gross order intake of 164 commercial jets according to CASE. The 50-seater CRJ200 sales were stagnant and while the Challenger corporate jet sales continue, the type is effectively "out of production" for the commercial market. Bombardier's top-seller was the CRJ900 that booked 91 orders. A stretched version of the CRJ900, called the CRJ1000 booked 39 orders but partly as a result of airlines switching their CRJ900 orders to the CRJ1000. Bombardier's decision on launching the 110/130-seat CSeries was postponed to 2008, with planned entry into service in 2013. The CSeries may be powered by Pratt & Whitney's new technology "Geared Turbo Fan™", which promises significant fuel savings.

Whereas several initiatives in Russia, China and Japan were taken to compete in the market for commercial jets, only limited sales successes could be reported outside of the "captive" markets. During 2007 only Sukhoi booked a western customer for its "SuperJet", Italian airline ItAli.

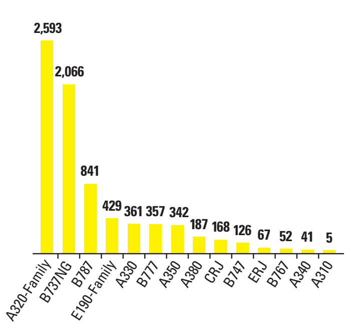
The 2007 order-explosion resulted in an unprecedented backlog. With 7,532 western-built jets on order per end of 2007 and an active fleet (excluding stored planes) of 19,048, the backlog has increased to 40% of the active fleet size, which is close to the all-time record of 1990 when the backlog percentage reached 41% – amongst other reasons, as a result of huge orders from a few mega-lessors.

Backlog as % of commercial jet fleet



Source: Ascend

Commercial jet backlog (January 2008)



Source: Ascend

Analysing the composition of the backlog reveals that almost 4,600 aircraft, or over 60% of the backlog, is for the Airbus A320 and Boeing 737 families only, with the basic A320 and B737-800 by far the most popular versions, followed at a distance by the smaller A319 and B737-700. With such a backlog, stretching many years into the future there is a lot of pressure on Airbus and Boeing to increase production. It has to be kept in mind however that in case of a downturn in the general economy, followed by reduced growth of air travel, there is a real risk that a part of the current order book may be deferred or even cancelled.

In line with society as a whole, the importance of environmental issues significantly increased during 2007 for the aviation business. With strong air transport growth in countries like India and China, the absolute environmental impact of aviation (noise, NOx, CO2) is set to increase if no measures are taken. Clearly, alternative fuels and/or new clean and more fuel efficient aircraft need to be developed to prevent outside forces from limiting growth in aviation.

3.2.1.3 Used equipment market

With the used equipment market still going strong in the short-term, the focus shifted more to medium- and long-term issues. Against this background, the discussion about development of a successor to the A320 and B737NG becomes very relevant for the value and liquidity of existing fleets. Experience shows that individual aircraft, produced and delivered towards the end of the production life of a specific type, generally suffer under an accelerated loss in value. The timing of the entry into service of the A320 and B737 successors consequently is of utmost importance. During 2007 it became increasingly clear that this introduction will most likely slip from the originally indicated 2012–2015 timeframe to as late as 2017–2019, despite significant pressure for major airlines that are looking for more fuel efficient and environmental friendly aircraft. For the medium-term values of the current aircraft generation, the delay of the successor types can be seen as good news. Even in case of order cancellations, there remains a significant fleet of older technology aircraft, such as the MD80 series, that urgently needs to be replaced.

In the widebody segment of the commercial jet market, the delay of (initially) the A380 and now the B787 ensured significant demand for almost any modern widebody. In addition, old technology, and less fuel-efficient types of widebodies can hardly be operated profitably anymore as a result of high fuel prices. Consequently, the equipment shortage in the widebody market is at least as severe as in the narrowbody segment. The difference is that in this segment, the new generation has been launched in the form of the B787 and A350XWB as well as the B747-8 and the A380. In this segment, so-called "interim lift" aircraft have regained popularity; aircraft of the current generation, that will be used to bridge the capacity gap till the new generation comes available. A combination of an economic downturn with the start of the deliveries of new generation aircraft may put widebody values under pressure, but for the time being an oversupply situation seems unlikely.

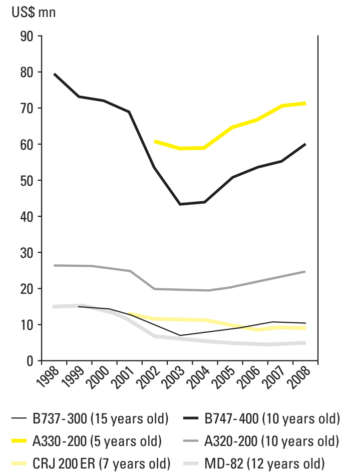
Availability of freighter aircraft is still limited, despite the disappointing cargo market demand. Conversion of older passenger aircraft remains difficult, as "feedstock" aircraft continue to operate in the passenger market, which can afford higher lease rates and purchase prices. It is expected that the supply of B747-400 passenger aircraft for cargo conversion will increase as a number of airlines have announced plans to phase-out the type. After freezing the A380 Freighter program, the largest Airbus cargo competitor is now the medium capacity A330-200F that competes in the market segment below the large Boeing freighters. In the narrowbody market – where capacity is almost exclusively coming from converted Boeing passenger aircraft such as the B737 and B757 – conversion activity remained relatively limited. In the future, aging Airbus A320's may become good conversion candidates.

As indicated, the used equipment market prospered during 2007 and any further strengthening seems unlikely, although this is more based on the prospects for the economy in general rather than the specific aviation equipment market. In the graphs, the development of aircraft values as well as market lease rates is presented. Both graphs reflect the value and lease-rate development of several aircraft of a (theoretical) constant age, to eliminate the negative value effect of aging. In the value graph, most aircraft types are shown to enjoy stable or higher values and lease rates. The exceptions are the Boeing 737-300 as well as the CRJ200ER. The pressure on the B737-300 may be the result of a distinct overheating of the market for B737 "Classics" during the past few years. Higher fuel prices, increasing supply and only modest demand from the cargo market – for the time being – may have stopped the hype for this aircraft. The 50-seater CRJ200ER has been under pressure for some time already following the default of various operators in North America. The type no longer fits the "scope clauses" in US airline labour contracts, and it suffers under the high fuel prices that are increasingly causing airlines to switch to more efficient turboprops.

3.2.1.4 Conclusion

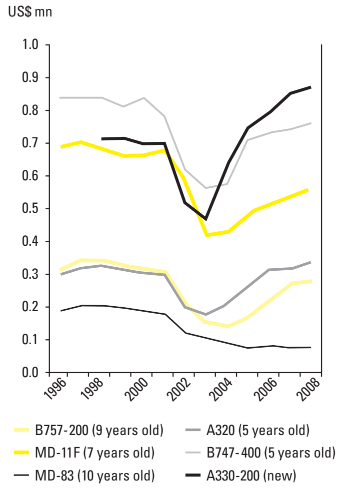
In summary: to the surprise of many, aviation has continued to prosper during 2007. In early 2008 however, more clouds are on the horizon in the form of an economic recession, higher fuel prices and - longer term - significantly more stringent environmental regulations. With continuing strong demand for modern aircraft, there is no reason to expect a major collapse of the market. Some cooling off however cannot be excluded, and except for those industry players that have taken overly aggressive positions, this may actually not be a bad development.

Constant age aircraft value developments (1998 – 2008)



Source: Ascend

Constant age lease rate developments (1996 – 2008)



Source: Ascend

3.2.2 Aviation – Strategy

For many years DVB's Aviation Division has been recognised as a leading arranger, underwriter and provider of 'asset-based' risk capital in aviation finance. More recently, however, the division's strategy has been to build on its historic strengths and to provide its customers with a seamless "one-stop-shop" to develop financing solutions for core aviation assets at any point of the aviation industry's economic cycle.

With the strengthening in early 2007 of its Aviation Asset Management team, followed later in the year by the Bank's majority-acquisition of a leading engine asset management company, TES Aviation Group, our Aviation platform is now operating at a level where we can be confident of achieving our goal of a cycle-resistant business model: one which will enable us to be equally active, and therefore profitable, in a market downturn as in an upturn.

Our Aviation clients can nowadays 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, and 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 via TES Aviation Group as summarised earlier; and
- *Equity Sourcing and Investments,* via the Investment Management team, managing the Deucalion Aviation Funds (aircraft, aero engines, airline equity, asset-backed bonds, etc.)
- *Risk Distribution* by DVB's Syndications team
- *Asset & Market Research* as the basis of our "one-stop-shop"-concept with a core focus on the equipment market.

Whilst integration of the various new/newer activities has been achieved with relative ease, a key initiative for 2008 is to ensure that there is a clear communication and understanding with our clients and other business partners of our strategy and product/service offering. The fact that Aviation Division, and indeed DVB at large, offers far more than the traditional range of banking services, and that we offer niche services, many of which are "close(r) to-the-asset", is perhaps the biggest differentiator between DVB and its competitors. Our strategic goal in Aviation Finance must therefore be to ensure that this differentiator is fully recognised and valued by its clients and prospects.

The Aviation team at large has a strong network of relationships with clients and industry partners, who perceive DVB as a bank that understands their business and possesses the expertise to provide value-added financial solutions. The prerequisites for our success are integration and cooperation amongst a team of professionals with a multi-disciplined background. As well as staff experienced in banking and structured finance, our Aviation Division employs specialists with very specific aviation industry expertise gathered from a prior background with airlines, manufacturers, aircraft/engine lessors and with asset managers.

We have seen competition in the sector intensify during most of 2007, driven by liquidity from new entrants and improved market sentiment. Nevertheless, the Aviation Division's market penetration – the reward of our consistent approach to business, a track-record of delivery and of the additional services on offer – meant that we have been able to more than offset this development. This was demonstrated by another record level of activity seen with our aviation client base.

3.2.3 Aviation – Products

Aviation Finance offers the following value-added products and services:

3.2.3.1 Structured Asset Financing

Abbreviations Aviation – Products	
GRM	*Group Risk Management*
OEM	*Original Equipment Manufacturer*

The Structured Asset Financing activity of DVB Aviation remains at the heart of its client offering. With a loan portfolio of over US$4.5 billion, and a typical new business final-take of over US$1.5 billion per annum, DVB is a market leader in commercial and asset-based financing for aircraft and related equipment. The Aviation teams actively seek out new risk exposures, both in isolation and in conjunction with the arranging and structured financing activity. Some of our 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 ITFL (International Transport Finance Ltd) in Japan, it is also able to offer to provide the debt leverage which runs in parallel.

Our relationship managers in Aviation Finance are located with the objective of covering all three key economic regions for aviation, in London, New York, Singapore and Tokyo. The core lending business comprises both recourse and non-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 crucial differentiator.

3.2.3.2 Advisory Services

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

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

AFC also works closely with the Structured Asset Financing professionals of our Aviation Division and the Advisory and M&A team to respond to global strategic concerns of airlines and other aircraft owners, thus providing both the "talk" and the "walk".

3.2.3.3 Aviation Asset Management

Formed in January 2007, the Aviation Asset Management (AAM) team provides the full range of Aircraft Management Services:

- 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 stand-alone basis to best suit the needs of its customers. It is a team with over 75 years combined experience in the tough commercial aircraft environment having previously worked for OEM airframe and engines 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 18 aircraft currently under management on behalf of third parties as well as actively marketing a further 16 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 investor/financier and airline clients, AAM can access the wider skills and services that are part of our Aviation Finance Division, including a world recognised industry research team. Clients can be assured that our 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, and will often play an active role in the evaluation of the asset exposures being contemplated by the financing teams. On other occasions, it will form part of a transaction team to perform an advisory assignment.

3.2.3.4 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 the DVB Aviation family and range of services. Cardiff (Wales)-based TES is a leading engine asset management company with an owned and managed engine portfolio valued in excess of US$1 billion.

The TES asset business is an active purchaser of aircraft and engines to service its growing engine part-out, parts sales and engine leasing businesses. TES Engineering Services provides a full suite of engineering, risk management solutions and consultancy services to owners and operators of aircraft engines. Such services include Fleet and Lessor management programs, Shop Visit management and a full range of technical and financial consultancy services.

TES also offers unique software solutions – EFPAC. This software enables optimum technical and financial management of aircraft engines.

3.2.3.5 Asset & Market Research

Established in 2003, research in our Aviation Division is done by the Aviation Industry Research (AIR) team which is an independent London and Rotterdam-based unit with direct reporting lines to DVB's CEO.

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 the Aviation Division 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 GRM 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.

3.2.4 Aviation – Portfolio analysis

Aviation Division's scope of products and services is now positioned to offer a 'cradle to grave' solution for aircraft and related equipment.

3.2.4.1 Leveraging the platform

Aviation maintains a strong network of relationships with clients and prospects by remaining in close and constant touch with its clients. Such client coverage is ensured via our network of offices, and relationship managers, in London, New York, Singapore and Tokyo.

Our Aviation marketing team in London is responsible for relationship management and business origination with aviation clients in Europe/the Middle East/Africa, while our 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 our activities in the important Japanese aviation market.

In early 2007 we strengthened our asset management platform, as the London-based Aviation Asset Management (AAM) became a team of four, following the recruitment of three senior professionals from BAE SYSTEMS (Aircraft Trading and Management Services). Later in the year, we purchased a majority shareholding in TES Aviation Group, a leading engine asset management company based in Cardiff, UK.

With these additions, Aviation Finance's scope of products and services is positioned to offer a 'cradle to grave' solution for aircraft and related equipment:

- ranging from providing Pre-delivery Finance for aircraft still to be delivered – at one end of the life spectrum, and
- to a tear-down solution for complete aircraft and spare engines – at the other end.

Within this spectrum we provide a range of finance, advisory and asset management services following the life-cycle of relevant equipment.

Aviation portfolio by aircraft type collateral		
	2007	*2006*
Airbus	***46.2%***	***42.9%***
thereof:		
A300	*0.9%*	*0.7%*
A310	*0.4%*	*0.7%*
A318	*0.4%*	*0.7%*
A319	*6.0%*	*5.7%*
A320	*20.3%*	*16.1%*
A321	*4.6%*	*3.8%*
A330	*8.0%*	*6.6%*
A340	*5.7%*	*8.6%*
Boeing	***40.5%***	***42.2%***
thereof:		
B717	*0.0%*	*0.3%*
B737	*15.7%*	*19.2%*
B747-200F	*0.6%*	*1.6%*
B747-300	*0.1%*	*0.0%*
B747-400 Freighter/Combo	*2.0%*	*1.7%*
B747-400	*6.3%*	*9.8%*
B757	*3.1%*	*1.9%*
B767	*3.9%*	*5.2%*
B777	*7.5%*	*2.5%*
B787	*1.2%*	*0.0%*
Bombardier Canadair Regional Jet	***4.6%***	***5.9%***
thereof:		
CRJ100	*0.0%*	*0.3%*
CRJ200	*2.9%*	*2.3%*
CRJ700	*1.6%*	*3.3%*
Embraer	***5.7%***	***5.8%***
McDonnell Douglas	***2.4%***	***3.2%***
thereof:		
MD11F	*1.3%*	*2.6%*
MD80-87	*1.1%*	*0.6%*
Fokker		
Fokker 100	*0.6%*	*–*

3.2.4.2 Success against a backdrop of intense competition

Competition in the sector intensified sharply during 2007, with an influx of new entrants' liquidity in the aviation banking and leasing markets. In the core lending business we observed a general deterioration in terms and conditions, obliging us to stay on the sidelines and let our competitors pursue transactions which would have been our 'bread-and-butter' some months earlier. Ultimately, however, the strength of our Aviation origination platform paid dividends as we achieved our objectives for the year. This success was only possible given a combination of

- our market reputation and coverage,
- the range of aircraft assets which we can consider (i.e. not just what is 'in fashion'), made possible by the research skills of AIR, and
- significant earnings contribution from the non-lending businesses, notably for 2007 from London-based AAM and from our structured financing activities in Tokyo.

3.2.4.3 Structured Asset Financing – Loan portfolio

During 2007 we realised 54 new transactions with aviation clients, representing a new record volume of €1,448 million (2006: €1,267 million).

New business was concluded with established customers such as Icelandair, (leasing company) AWAS, Air Europa, Jazeera Airways and Hainan Airlines (PRC). In addition, we attracted 15 new clients including Oasis Hong Kong, (Asian lessor) Dragon Aviation, Air One and Cebu Pacific. The average margin on new, final-take loan commitments during 2007 was 157bp per annum. This level was lower than the 2006 level of 191bp per annum, driven by increased competition, but nevertheless a satisfying result. We acted as arranger and/or agent bank (leading role) in respect of over 67% of our newly acquired business. New financings in 2007 were well diversified by client and obligor (including by geographical region), as well as by aircraft classes and aircraft type collateral.

Some of the transactions closed during the year are described below:

- DVB co-arranged and agented a mortgage debt facility for COPA (Panama) to part-finance their purchase of ten new Embraer 190 aircraft.
- We co-arranged and co-underwrote a pre-delivery payment (PDP) financing for Ethiopian Airlines to acquire five new Boeing B787-8 aircraft.
- We structured and arranged the equity for the Japanese Operating Lease (JOL) financing of six new Boeing B737-800 aircraft for Ryanair.
- We provided a "revolving bridge" facility to Yangtze River Express to facilitate its purchase of two Boeing 747-400 passenger aircraft, for the purpose of freighter conversion and thereafter immediate operation.

- We co-arranged and co-underwrote (with one other financial institution) a senior debt facility for Dubai Aerospace Enterprise (DAE) to part-finance their purchase of a portfolio of 21 used aircraft on operating lease.
- Aviation Asset Management was appointed the lease manager and exclusive remarketing agent for three Boeing 747-400 Freighter aircraft owned by Freighter Leasing, a joint-venture leasing company between Cargolux and three financial institutions.
- We arranged and agented a facility for US-based lessor, Q Aviation, to re-finance/re-leverage an owned portfolio of 27 used aircraft on operating lease.

At the end of 2007 the Aviation portfolio stood at €3.62 billion (2006: €3.12 billion). In US-dollar terms – the Aviation portfolio was 97.7% US-dollar-denominated – the portfolio grew by 29.4%, an increase from US$4.11 billion to US$5.32 billion.

The collateralised portfolio represented 99.9% of the total volume. The collateral was predominantly Boeing (42.8%) and Airbus (46.2%) commercial jet aircraft, of which 47.7% were under five years old.

The portfolio is well diversified by client. A total of 128 aviation clients equates to an average lending exposure of approx. €28.2 million per client. The Aviation Division's largest individual client exposure currently stands at €135.9 million, and there are only 21 clients where our committed exposure is in excess of €50 million.

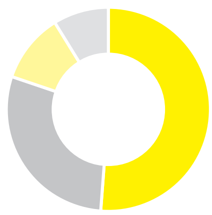
The portfolio is also well diversified by client group, with only slight changes in composition compared to the previous year. The share of cargo aircraft financed increased slightly to 8.8%; the share of narrowbody aircraft also increased, at the expense of widebody types, to 51.2%.

Risk is also geographically well diversified, however, being presently oriented towards North/South America (35.5%) and Europe/Middle East/Africa (37.7%), with client exposure in Asia/Australia/Oceania (15.1%) having fallen for the time being, in view of the very competitive environment we have faced in this region.

3.2.4.4 Structured Asset Financing – Problem loans

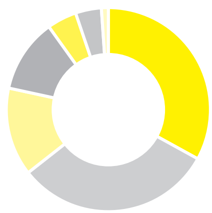
During the year under review a small number of problem loans have been restructured, reorganised, and/or a successful exit has been achieved, in some cases involving the leasing (to another airline operator), or an outright sale, of a mortgaged aircraft. Such achievements are largely attributable to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

Aviation portfolio by aircraft classes



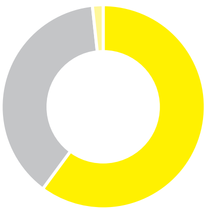
Narrowbody pax	51.2%
Widebody pax	29.0%
Regional jets	11.0%
Freighter	8.8%

Aviation portfolio by client exposure per region



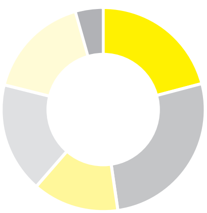
Europe	33.0%
North America	31.4%
Asia	14.0%
Offshore	11.7%
Middle East/Africa	4.7%
South America	4.1%
Australia/Oceania	1.1%

Aviation portfolio by type of client



Airlines	60.1%
Operating lessor	38.2%
Logistics company	1.7%

Aviation portfolio by vintage



2007 and to be built	20.9%
2003 - 2006	26.8%
2001 - 2002	13.7%
1996 - 2000	17.5%
1991 - 1995	16.7%
1982 - 1990	4.4%

3.2.4.5 Advisory Services

Our Aviation Financial Consultancy group also grew, and continued to provide support to the Bank's clients. In 2007, the group was engaged in diverse mandates, from the review of business plans and investment proposals, to advice on procurement contracts for new aircraft and on raising aircraft financing, contributing to the fee-based income of the group. The team has ended the year with three professionals supporting the Bank's one-stop-shop concept via the provision of independent advisory services.

3.2.4.6 Aero-Engine Financing and (Engine) Asset Management

Our Aero Engine Financing activity, first established in late 2004, has continued to focus on providing financial services to the global aero engine market. This fully integrated unit, comprising one professional who is fully supported, has been instrumental in the origination and execution of a number of financing opportunities which would previously have been out of our reach. The activity contributes significantly to the bottom line, with a portfolio value of spare engines financed having increased during 2007 to US$150 million. During the year notable spare engine finance transactions were concluded with TAM (IAE V2500) and Lion Air (CFM56).

In line with DVB Aviation's strategy as a whole, we have sought to develop the engine activity across the range of products and services which we can offer. Via the Equity Sourcing and Investment of our Investment Management (specifically the Deucalion Aviation Funds), DVB now has an investment interest in some 18 spare engines on lease at various airlines. In 2007 our Aviation Financial Consultancy team was retained to advise a South American airline in the engine selection process relating to its new aircraft order. We can expect both the volume and range of our engine finance activity to grow over the next years, as we experience the fruits of being closely aligned via our majority ownership with TES Aviation Group. Whilst we see TES' expertise in engine asset management and engine part-out as complementary to the present activities of the Bank, a Steering Committee, comprising DVB and TES team members, is tasked during 2008 with identifying and pursuing all type of synergies to maximise the combined business.

3.3 Transport Finance – Land Transport

3.3.1 Land Transport – Market review

For the railway industry, 2007 can be written into history as a prosperous year. This applies not only for DVB's North American and European business, but for Asia as well. The Asian rail and rolling stock market size now compares with North America due to the emerging markets in China, India and Russia.

In general, infrastructure investments, rail volumes and revenues are clearly profiting from global trade growth and the consciousness that rail is a key factor to help reduce road congestion and emissions. In fact, rail is the only mode of transport which is capable of not increasing its emission levels as its transport performance grows. The European Commission is aware of this, and assigned 74.2% (€5.9 billion) of the fifth Trans-European Network budget 2007–2013 especially for international rail infrastructure projects. Road projects were last in line, with only 2.7% of the budget. In Europe, open access freight and franchise passenger operators are expanding, needing new rolling stock. The incumbents do not make surplus rolling stock available to competitors. In the meantime the European state-owned railway companies started the consolidation game, and the private rail sector railway companies have followed this example at their own level.

Abbreviations Land Transport – Market review

IPO	*Initial Public Offering*

3.3.1.1 Trends in rail freight transport

Although rail's market share is stable at 17% of land transport performance in Europe, the signs are that European rail freight volumes continue to grow. The International Union of Railways (UIC) says member rail freight traffic in ton-kilometres increased by 2.8% in Europe in the first three quarters of 2007. The German Statistische Bundesamt recorded a 6.5% ton-kilometre increase in Germany in 2007. The Dutch Ministry of Transport estimates the growth to be 7% in ton-kilometres in 2007. The Polish market is estimated to have seen 2.5% performance growth. The railways benefit from record container handling figures (on average 14%) achieved by ports. Container transport by train even grew by 12% in Germany.

Due to the full EU rail freight market liberalisation which came into effect on 1 January 2007, private open access and incumbent state-owned railway companies took the chance to spread their wings in Europe. But what really shuffles the cards in Europe is the consolidation process that clearly got under way in January 2007. The most important acquisitions were conducted by Germany's Deutsche Bahn: it bought EWS, the largest rail freight company in Great Britain, including its subsidiary and open access operator ECR in France. DB also acquired the majority of Spanish Transfesa, which owns a substantial fleet of gauge-convertible freight cars suitable for the Iberian Peninsula and Western Europe. So far, Deutsche Bahn's Railion subsidiary emerges out of the current M&A process as the largest rail freight company on the European market: it is active in several European countries and it forms strategic alliances with the incumbent railway companies virtually as far as China. In 2007 and in January 2008 several trial trains were successfully run between Asia and Europe by a number of operators. Deutsche Bahn itself is planning for an IPO of (initially) 25% of the shares, but this has been delayed by the questions in which form, and with or without (latest status) the German rail infrastructure. The Austrian state-owned rail company RCA bought (together with Austrian/Hungarian GySEV) the Hungarian state-owned rail freight company MAV Cargo which will form another major European rail freight company. Others on the list of soon-to-be privatised companies are Czech CD Cargo, Romanian CFR Marfa, Polish PKP Cargo and Slovenian SZ. On another note, the Estonian Government bought back the majority shares in the partly-privatised freight railway company which also owns the rail infrastructure, from an American consortium. This privatisation model conflicted with the division between rail infrastructure and exploitation as laid out in European guideline 91/440. On the private side, the largest private railroad in Europe, Polish CTL Logistics, was sold for 75% to British private equity firm Bridgepoint. In other developments, Polish PCC Rail bought its PTKiGK Rybnik compatriot, and Australian investment company Babcock & Brown merged its CrossRail company with Belgium's DL Cargo after having sold CrossRail's forwarding and road business to a Dutch forwarder.

In the field of rail freight investments, the opening of the Betuweroute (Rotterdam – German border) and the Lötschbergtunnel in Switzerland are important milestones for the international freight corridor between Rotterdam and Italy.

Overseas, we see a mixed performance in ton-kilometres. Whereas in Canada (+2%) and in Mexico (+8%) – the latter counted over the first nine months – rail freight growth in ton-kilometres was achieved, the US actually recorded a 1.0% decrease as market softness at the end of 2006 continued right through to the end of 2007 mainly due to lower demand in the housing and automotive sectors. Canada's railway companies continued to profit from more container handlings at the Canadian ports, but the US railway companies had to face lower import ocean volumes from April 2007 onwards. A shift of container handlings occurred from the West to the East coast, thereby making some land bridge trains superfluous. US and Canadian shortlines handled 4.4% less car loadings in 2007. The US railroads were however able to offset traffic losses with pricing power. Higher fuel prices in the fourth quarter of 2007 led to a cost advantage over road. The value of merchandise trade between the United States and Canada in October jumped 14.1% year-over-year to $47.7 billion. US trade with Mexico rose 6% to $26.6 billion. About 90% of US trade by value with Canada and Mexico moves via land transportation.

In North America the latest round of consolidation – which started in the 1980s – comes almost to an end as seven large railway companies remain in the market, together with about 500 shortlines and regional railway companies (of which quite a lot are owned by a few rail conglomerates). One of these shortline conglomerates, RailAmerica, was bought by private equity firm Fortress Investment Group, who later in 2007 bought the large regional FEC as well. Besides that, each of the two Canadian Class I railway companies announced the acquisition of a large regional railway company in the US. Private equity investors have increased their interest in the Class I railway companies and TCI, although a minority shareholder has urged CSX to slow investment and achieve a better operating ratio.

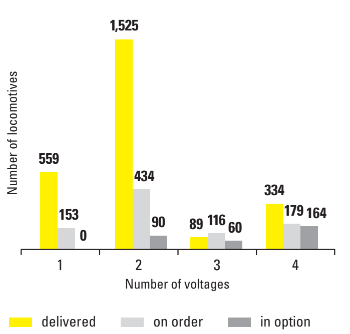
In the field of innovations the most important technical achievement of 2007 was the test phase introduction of revenue-hauling freight trains in the US equipped with electronically-controlled pneumatic brakes instead of the conventional air-brake system. One signal is used to cause all brakes in the train to apply simultaneously, leading to a 60% shorter brake distance. If widely implemented – along with shorter distances between signals – this could enhance the capacity of the network considerably.

3.3.1.2 Trends in rail passenger transport

UIC reports a 2.0% performance growth in rail passenger-kilometres over the first three quarters of 2007. The German Statistische Bundesamt has calculated a 1.1% year-over-year growth to 98.1 billion passenger-kilometres for regional rail, trams, metros and buses in Germany in 2007. German regional rail passenger volume grew by 4.4% and thereby showed itself to be a more promising market than bus transport, which grew only 0.7%. We see the European rail passenger market further shaking the deck before full liberalisation of international passenger train business comes into effect in 2010. In 2007 Deutsche Bahn bought British Laing Rail, a major passenger operator around London. Danish incumbent DSB and the large British private operator First Group won the international Denmark/Sweden franchise which will start operations in 2009. 52% of Keolis' shares were sold to AXA Private Equity and Caisse des Depots et Consignations. Babcock & Brown bought 49% of German BeNEX. Veolia bought 50% of Swedish operator Merresor. There are plans to (partly) privatise Polish PKP Intercity, Germany's Deutsche Bahn (as already mentioned) and Montenegrin ZCG in the near future. DB Autozug started to run night trains in the Netherlands. To achieve a level playing field for the open access companies, the European Commission announced the drafting of a new guideline to make clear under which conditions state support is still allowed. Less state support will mean stronger demand for leased vehicles.

In the US, the increase of public transit ridership can be attributed to 15 major new and expanded light rail projects all over the country. Commuter-rail ridership increased 5.5% in the first half of 2007 compared with the same 2006 period, according to the American Public Transportation Association. Meanwhile, light-rail ridership rose 4.1%.

Number of voltages for new electric European locomotives since 2000



Source: LTR (2008)

3.3.1.3 The market for rail vehicles

The European Parliament gave its approval for a simplification of the homologation procedures or ‘cross-acceptance’ for rolling stock. This measure is estimated to save the industry €400 million per year and will assist in increasing the rail market share for both passengers and freight. Only important country-specific safety requirements will still be tested by national bodies. The European Council of Ministers still has to approve the proposal. We believe that cross-acceptance could stimulate the development of ten initiatives for new locomotive manufacturers that started in Europe during 2007. Also, the leasing companies will profit from cross-acceptance as they increasingly order multi-voltage electric locomotives that can operate across several borders.

The new-build European rail freightcars market has ups and downs. After a long period of decline in demand, in the second half of 2006 demand increased and reached the highest levels in more than ten years. The main challenge of the manufacturers is to increase capacity in order to satisfy all demand. We estimate a manufacturing capacity of 12,000 new builds per year (2007: 11,000). For the next five years we believe the wagon market will continue to be strong, especially for intermodal, coil, coal, car carrier and general freight wagons. Leasing companies are now also ordering wagons speculatively without having contracts for the wagons. We expect that in the current demand atmosphere several manufacturers could consider reentering the market. The rail industry will see the establishment of long-term strategic partnerships between clients and wagon manufacturers, even across continents.

Angel Trains, the largest leasing company for passenger trains and freight locomotives on the European continent, was put up for sale by its owner (Royal Bank of Scotland) in 2007. For the “Intercity Express Program” in Great Britain Angel Trains itself made a bid, together with Babcock & Brown and manufacturers Bombardier and Siemens for the 850 to 1,500 passenger cars tendered out by the British Department for Transport (DfT) as one of the investment plans for ordering 4,500 train set cars between 2008 and 2017. This ‘Intercity Express Program’ is termed the UK’s most significant investment in rolling stock for over 30 years. A rail contract of this magnitude, within such tight timescales, has never been placed with a single party before.

In Europe, second-hand locomotive sales reached more than 400 units in 2007 versus about 300 in 2006, a record. These sales concern mostly less powerful engines for trans-shipment to other countries, even overseas. Whether there will also be a strong market for relatively new passenger trains in Europe outside the UK and Sweden has yet to be proven, as several rail passenger franchises will be tendered out for the second time in the second-largest franchise market, Germany, as from 2007. Much of it will depend on the willingness of especially the German transport authorities to loosen their usual requirement (or preference) for use of new rolling stock which was typical for their first tender round.

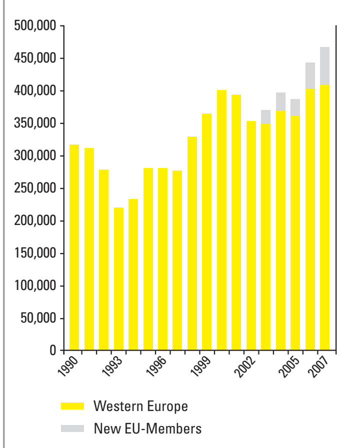
In North America, locomotive production stayed stable at around 1,000 locomotives, almost entirely for freight operations. Locomotive lessors experienced a less strong, but still quite healthy, level of demand. The US freightcar market experienced a cooldown in 2007 due to rail freight market softness and higher purchase prices. After increasing production from 18,000 cars in 2002 to almost 75,000 cars in 2006, freightcar manufacturers reduced their output to about 62,800 wagons in 2007. They had a backlog of 75,860 wagons in the end of 2007 as opposed to 85,826 a year earlier. Economic Planning Associates Inc. (EPA) states that the current backlog of hi-cube covered hoppers, tank cars and coal cars is relatively solid and demand for those types is not as economically sensitive as most capital equipment. EPA also notes a strong pickup in grain movements, which could spur more orders for medium-sized hoppers. But, the box car, mill gondolas, flat car, intermodal car and small-cube covered hopper segments have low backlogs and EPA doesn't anticipate any meaningful increase in production levels for these cars in the next two years. Around 95% of all new freightcars are ordered by lessors and shippers, whereas new locomotives are the exclusive domain of railroads.

3.3.1.4 Road and logistics

2007 was also a good year for the road and logistics sector. The global contract logistics market grew by just under 10% in 2006. The market was driven by growth in the Asia-Pacific region, which overtook North America for the first time to become the world's second-largest contract logistics market. Europe, the most mature market, experienced solid if unspectacular growth. The geographic centre of Europe has shifted eastwards with the accession of the Central and Eastern European economies to the European Union. Benelux and Germany remain the favourite areas for Western European distribution centres. In Europe there is as yet very little sign of a consumer-driven slowdown, whereas the latest annual results from big US trucking companies reflect a tough domestic economy, although one not entirely without growth. Rather than falling demand, it is the cost of fuel and lower rates caused by over-capacity which is hitting the sector's profits. The American Trucking Associations' advanced seasonally adjusted For-Hire Truck Tonnage Index declined 1.4% in 2007, following a 1.7% drop in 2006.

European demand for commercial vehicles rose for the fourth year in a row. In 2007, the demand for new commercial vehicles in Europe was 6.8% higher overall than last year. According to the European Automobile Manufacturers' Association, the European market ended the year with 7.1% more vans (up to 2.2 million), 5.1% more trucks above 3.5 t (up to 428,500) and 4.4% more buses and coaches (up to 38,500) were registered. The Bundesverband Deutscher Leasing-Unternehmen representing the German leasing industry registered 10% growth for the leasing business of commercial vehicles in Germany. In Europe the politics are against the definitive introduction of very long truck combinations.

New trucks and buses (commercial vehicles > 3,5 t) registrations in Europe



Source: ACEA (2008)

3.3.2 Land Transport – Strategy

Abbreviations Land Transport – Strategy	
Nafta	*North American Free Trade Agreement*

Our objective is to retain our role as a leading asset finance house in the rail sector, and in road transport/logistics. What is the rationale for DVB's exposure to these sectors?

Our strategic focus on the rail sector is based on the fact that rail is a stable market involving long-life rolling stock, and characterised by long-term expectations and strategies. There is vital interest in rail transport, thanks to the immense volumes moved in regional and international freight transport. The performance of this sector continues to improve: provided the topographical parameters are right, rail freight can have competitive advantages compared to both shipping and air cargo on long-haul routes. High-speed passenger rail links even manage to win business from air travel.

Our focus on the road and logistics market is based on the recognition of this sector as a transport segment that has enjoyed dynamic growth (in terms of transport services) over several decades, and will continue to contribute significantly towards the economy as a whole in the foreseeable future.

We see significant growth potential for DVB's business in rail transport and road transport/logistics, as both sectors employ valuable vehicles and mobile equipment representing fungible assets, which are in demand and enjoy high appreciation accordingly. Our main focus is on financing locomotives, train sets, freightcars and other rail vehicles, plus road vehicles and tank containers. The long economic life of these assets allows for long-term investment planning, as a basis for stable returns. Moreover, economic policy measures – such as market deregulation – have provided for business momentum and higher potential returns, thus improving the framework for asset-based financing in our core business sectors.

Given the benign political, regulatory and legal environment in the land transport markets in both Europe and North America, we will continue to focus on these regions in the future. The combination of mature vehicle markets in the Nafta states and growing markets in Europe provides an excellent platform for our business: in this context, we will maintain our focus on asset finance. Moreover, our European business provides a solid euro-denominated revenue alongside the other international transactions, which are predominantly US-dollar-based.

The extensive analysis we conduct on land transport markets, together with DVB's prime expertise regarding asset finance and residual values, are core elements of our strategy of being able to recognise trends throughout all cyclical phases, based on which we can support our clients in making adequate decisions. With its range of products and services, Land Transport Finance is in a perfect position to do so.

3.3.3 Land Transport – Products

The Land Transport Division offered its clients a broad range of products in 2007, including Structured Asset Financing, Advisory Services, and Asset & Market Research. In addition, our clients benefited from the risk distribution services provided by our Syndications team.

Abbreviations Land Transport – Products

M&A	*Mergers and Acquisitions*

3.3.3.1 Structured Asset Financing

In addition to traditional asset finance, this product category also comprises complex, customised transaction structures.

We successfully offered asset finance for a broad range of projects in 2007: transactions included several direct loan facilities with full, partial, or no recourse to the obligor, extended to North American and European waggon lessors in particular. The profile of each financing was optimised to suit the specific requirements of the financed vehicles.

In addition, DVB actively participated in club deal loans for larger projects. These transactions – where we assumed the function of Administrative Agent on several occasions – require close coordination amongst the various lenders. In selected cases we engaged in syndicated loans as a participant: this route was chosen where we saw strategic value for client acquisition, or where it provided an appropriate add-on to the portfolio.

Operating lease structures were implemented for train sets and locomotives, both involving senior loans and separate residual value risk positions, which DVB took onto its portfolio. Such transactions required a detailed analysis and extensive client advice. Thanks to DVB's ability to keep its loan books open even after the financial market crisis broke, the Land Transport Division succeeded in maintaining a continuous business relationship with our clients.

Structured Asset Financing provided extensive analytical and structuring support for current transactions during the year under review. Moreover, our London-based Land Transport team undertook extensive activities to prepare a tax-driven lease on behalf of one of our clients. It was only due to a change in tax regulations that the transaction did not materialise on time. Our team continues to analyse alternative structures designed to facilitate cooperation with clients and partner institutions for future projects.

3.3.3.2 Equity Sourcing and Investments

Stephenson Capital, the newly-established rail fund initiated by Investment Management, participated in tenders for a number of transactions, successfully closing the first deal before the end of the year.

3.3.3.3 Risk Distribution

The Land Transport Division was actively involved in the syndicated loan market in 2007: for instance, DVB acted as sub-underwriter for the large-sized refinancing of an acquisition finance package closed only a few months earlier.

There was also strong market demand for syndicated transactions, as various projects were no longer feasible as originally planned, given the emerging deterioration in the interbank market. Strong interest from numerous partner banks to participate in syndicated Land Transport exposures has carried over into the new year.

Within the scope of our secondary market activities, we acquired a US exposure backed by top-quality freightcars, which was up for sale only due to the obligor having been affected by a rating downgrade.

3.3.3.4 Advisory Services

Land Transport provided advisory services on several levels. This included a longer-term M&A mandate awarded by one of our target clients: we were commissioned to advise on an acquisition for strategic expansion. Our success in winning the mandate was attributable to our detailed market knowledge (acquired through intensive research), client proximity, and the close cooperation of the Land Transport teams in Frankfurt and New York. Excellent support by the London-based M&A Advisory team was also crucially important. Thanks to this outstanding cooperation, we were able to support our client through to the final round of negotiations. Further targets were identified during the process, and will be analysed and approached in 2008.

3.3.3.5 Asset & Market Research

Asset & Market Research was an important success factor supporting our financing and advisory services. The assessment of Land Transport Research is sought, and taken as a basis for deciding upon each material transaction. In addition, one of our target clients commissioned Land Transport Research for a partial analysis of a strategic rail market segment; this provided essential support for winning an M&A mandate. External third parties have submitted further requests for advisory services to be provided by Land Transport Research, and with those we intend to successfully broaden our business.

3.3.4 Land Transport – Portfolio analysis

The Land Transport Division benefited from a benign economic environment in its relevant market segments during 2007. Our focus regions of North America and Europe allowed us to conclude a range of attractive transactions: once again, our regional approach has proven to be right.

We have continuously grown the Land Transport portfolio since 2003. Our assessment was correct: our relevant markets performed well, facilitating the smooth portfolio growth we have been aiming for. In the stable markets we cover, extensive cyclical waves were just as improbable as the chances of acquiring large portfolios from other finance houses.

Continued growth in our pure asset financing portfolio, to €1.14 billion (up 16.3% from 2006) was accompanied by clear improvements in profitability, and in portfolio diversification by financed assets and clients.

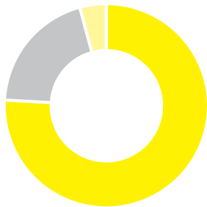
In euro terms, the regional share of North American business showed a remarkable 22.9% increase, and stood at 19.9% of the overall portfolio (2006: 18.8%). European client business was up by 23.8% on the previous year, accounting for a 75.9% (2006: 71.3%) share of the portfolio. The decline in our Asian lending portfolio was due to a change in allocation, with related economic risk exposure reclassified to the European region.

The share of rail business in the overall Land Transport portfolio was almost unchanged, at 80.4% (2006: 81.9%). The slight reduction was attributable in particular to growth in financing business for mobile road and logistics assets (which grew from a 5.6% share in 2006 to 10.4% of total volume in 2007), in line with our targets.

Freightcars accounted for the largest share of financed assets in the rail portfolio, down only slightly at 53.7% (2006: 54.9%). The relative overweight of the freightcar portfolio is intended; it is justified by the high degree of diversification within this asset class (due the split between various types of freightcar), combined with the almost universal reusability of these assets and the relatively minor technical restrictions to regional remarketing. The next largest portfolio shares comprised loans collateralised by locomotives and regional train sets; at 13.9% and 11.1%, respectively, both segments were virtually unchanged compared to the previous year.

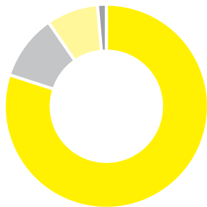
We succeeded in concluding several transactions involving road vehicles and moveable logistics assets, with new clients. Besides supporting our planned expansion into this prospering market segment, these deals also contributed to a significant improvement in the diversification of top-quality vehicles in our collateral portfolio.

Land Transport portfolio by client exposure per region



Europe	75.9%
North America	19.9%
Offshore	4.2%

Land Transport portfolio by asset types



On rail	80.4%	
thereof:	53.7%	Freightcars
	13.9%	Locomotives
	11.1%	Regional train sets
	1.1%	City/commuter traffic
	0.6%	Passenger coaches
On road	10.4%	
thereof:	7.9%	Road tractors/trailers
	2.4%	Tank containers
	0.1%	Busses
Terminals/logistics property	8.2%	
Immovable assets	1.0%	

Residual exposures for individual high-quality logistics properties – which are being discontinued – fell from 11.1% to 8.2%, and thus no longer represent a material portion of the portfolio.

The average lending exposure per client grew from €13.9 million to €15.9 million, whilst the number of larger exposures exceeding €50 million also increased. Our very close client contact, together with a strong position in structuring transactions and our readiness to take larger loan tranches on our books in selected cases – the latter being an attractive strategy in terms of cost/income, without changing the overall risk profile – all contributed to this positive development.

The success of our Land Transport Division was recognised by Jane's Transport Finance, an industry magazine specialising in international transport finance, in the autumn of 2007: the Division was not only honoured with the "US Rail Deal of the Year 2007", but was also awarded as the "Rail Finance House of the Year". This award was testament to a series of high-profile rail transactions we had entered into in 2007, but also recognised our significant performance improvements over the last few years, together with our growing importance in international rail finance.

The Division assumed a leading role in 65% of transactions concluded during the year under review. High-profile transactions included the position as co-underwriter for the refinancing of a major acquisition finance package for a European waggon lessor; a series of freightcar financings in Europe and North America (with full, partial, or no recourse on the main obligor); and the financing of regional train sets and locomotives in Europe, combined with the assumption of residual risk.

Beyond extending senior and junior loans within the scope of DVB's asset finance business, a specialised investment fund for the rail market was launched in cooperation with Investment Management: the new investment vehicle will gain exposure to mezzanine and other equity-related products, and to transactions involving direct asset risk in rolling stock deals.

3.4 Transport Finance – Syndications

3.4.1 Syndications – Market review

Global syndicated volume increased by 20% to US$4.79 trillion in 2007 compared to US$4.00 trillion in 2006.

The global syndication market was experiencing a strong year during the first three quarters of 2007. However, from September onwards the wider implications of the liquidity crisis froze the wheels of the syndication market.

The liquidity squeeze has been caused by an increase in loan defaults in the US sub-prime residential mortgage sector. Exposure to this sector is not limited to US domestic and regional banks, but has been transferred to many banks based in other parts of the world through securitisation packages and CDO mechanisms. During the second half of 2007 an increasing number of banks had to announce exposure to the US sub-prime sector, and declare provisions or losses. The level of exposure to the sub-prime sector is not very transparent, and difficult to analyse in view of the fact that much of this exposure was through CDOs that were rated investment grade. This has caused a reduction of the levels of confidence and trust amongst banks, and between banks and their funding or liquidity sources. As a result, funding costs have increased.

The sudden increase in funding costs for banks has resulted in an increase of pricing requirements amongst banks. In addition, the uncertainty about future access to funding liquidity for banks has reduced appetite in the bank sector for new transactions.

The combination of higher funding costs and increased concern about access to liquidity has resulted in financial institutions becoming increasingly selective about which transactions to join or not. This has lead to the failure of a number of large syndications, with the consequence that underwriters had to hold substantially larger amounts than their target final take levels. During July and August of 2007 this was predominantly the case for the Leveraged Market, where liquidity practically dried up. But in September and October 2007 this trend was felt in all other finance sectors, including transport finance.

As a result the number of new underwritings reduced; however, it did not dry up completely. In order to protect themselves against market risk and the continuing tightening of pricing requirements, market flex language became again a commonly accepted part of an underwritten offer.

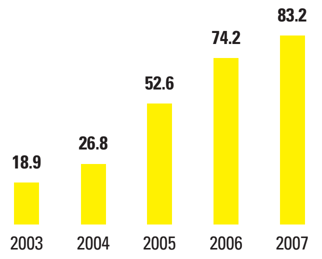
Global syndicated lending volume reached US$4.79 trillion in 2007 compared to US$4.00 trillion in 2006. However, fourth quarter volume fell by 14% to US$945.5 billion compared to US$1.10 trillion in the fourth quarter of 2006. Year-on-year growth rose in 2007 to 20% up from 15% in 2006.

Abbreviations Syndications – Market review

CDO	*Collateralised Debt Obligation*

North American and European syndicated deals accounted for 84% of the global volumes. European volume rose by 24% in 2007 to US$1.7 trillion, despite a drop of 29% in the fourth quarter of 2007 compared to the same period in 2006. North American borrowing reached US$2.35 trillion in 2007, an increase of 16% on the previous year. The deal count dropped by 8%, while syndicated lending dropped by 5% during the fourth quarter.

Development of the transport finance volume 2003–2007 (US$ bn)



Source: Dealogic

Transport Finance (Aviation and Shipping) volume rose by 12% to US$83.2 billion via 337 reported transactions in 2007, compared to volumes of US$74.2 billion via 307 reported transactions in 2006.

The shipping market experienced a prosperous year in general, with further increases being observed in freight rates and vessel prices. Shipping syndicated volumes followed the trend during the first half of 2007. Nevertheless, several banks within the shipping industry reduced their lending activities in the second half of the year, as the credit market uncertainty resulted in banks being less keen to lend and participate in transactions.

Following a very strong and competitive year during 2006, the aviation finance market had relatively slow momentum during the first half of 2007 with most of the activity picking up at the beginning of the second half. 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.

In the rail industry, the majority of new transactions was originated in North America and Europe, with increasing market share taken by Europe.

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

3.4.2 Syndications – Strategy

Our Syndications team supports our 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 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 underwrite and syndicate means that customers have the comfort of certainty of funds for their projects. Therefore, a good track record in successful syndications increases the likelihood that DVB will be mandated by customers for larger financing projects.

As lead arranger and underwriter, a good execution of our tasks is critical to its success. Participant institutions may be less familiar with the customer or project involved, so strong reliance is put on the skills, experience, capability and information provided by the Syndications team. A careful and clear presentation of a particular project by our 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 procedure.
- 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.

3.4.3 Syndications – Products

The key product of the Syndications team is Risk Distribution. This 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 risk (the risk 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 risk from the customer.

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

The Syndications team focuses on Primary Bank Debt:

- 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"). Syndications is not an active participant in the secondary debt trading market.

- Syndications' partners in an exercise are normally banks. Institutional investors are normally approached by way of a securitisation exercise, whilst banks and financial institutions are approached in a syndication exercise.

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

3.4.4 Syndications – Portfolio analysis

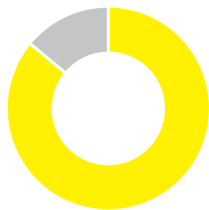
In 2007 the Syndications team raised a total volume of US$1.37 billion for 28 transactions from our Shipping and Aviation Finance sectors. The above figures represent a 34.6% decrease when compared to the US$2.1 billion for 36 transactions during 2006. This decrease can be attributed mainly to two factors: the tightening financing conditions that prevailed during the last four months of 2007 as a result of the global liquidity squeeze, and the increased competition in mandates for financing projects during the first half of 2007.

Shipping transactions account for 86.1% of the total volume, with US$1.18 billion raised via 25 transactions in 2007. Aviation accounts for 13.9% of our portfolio, totalling US$190 million from three transactions.

We must point out here that a number of shipping and aviation transactions were launched during the fourth quarter of 2007, when the syndication market slowed down due to the liquidity crisis, and are being syndicated in the first months of 2008.

There were no syndicated transactions originated by the Land Transport Division during 2007.

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



Shipping	86.1%
Aviation	13.9%

3.5 Transport Finance – Investment Management

3.5.1 NFC Shipping Funds (NFC)

NFC Shipping Funds evolve from a cooperation between DVB and Northern Navigation Inc., a holding company representing a group of private investors specialised in shipping equity investments. Our senior investment managers, based in Curaçao, New York, London, Oslo and Singapore, act as advisors to each of the funds, sourcing and managing shipping investments and assets.

3.5.1.1 Market review

The amount of equity available to the shipping industry in general was huge in 2007. Strong shipping markets and high realised returns have attracted many new investors to the shipping industry. As a consequence the number of acceptable investment opportunities is under pressure, due both to active competition from other investors as well as high asset values in today's markets. The NFC focus towards niche markets in the shipping industry proved viable. These niches require in-depth knowledge of the shipping markets, but are outside the focus of most competitors.

3.5.1.2 Strategy

NFC is combining excellent market knowledge of the shipping markets with financial structuring skills and global market coverage. The focus is on a diversified portfolio of shipping investments, creating a stable cash flow for investors with upside potential depending on the shipping market developments.

3.5.1.3 Products

The NFC Shipping Funds provided equity, preferred equity and mezzanine loans to the shipping and offshore sectors. The focus is on preferred asset-based investments. Due to the strong competition in the main shipping sectors, NFC targeted the niche markets in 2007.

3.5.1.4 Portfolio analysis

Since 2001 the amount of equity raised in the eight NFC Shipping funds is close to US$500 million, with investors from the USA, China, Japan, Norway and Germany.

As at year-end 2007, NFC acts as an adviser to eight NFC Shipping funds and managed total assets of US$1.4 billion. Of the US$270 million equity available as at year-end 2007, US$250 million has been invested, with the balance available for new investments. DVB's drawn exposure totalled US$107.1 million.

In 2007 we managed to fully invest the largest shipping fund NFC VI with an equity base of US$150 million. NFC concluded 47 transactions, of which 27 were exits and 20 were new investments. The new investments involved 54 vessels with a combined value of US$840 million. The exits involved 58 vessels with a combined value close to US$940 million. The average returns since 2001 have been consistently above the 15% benchmark of the fund and are close to 30% per year. The portfolio of investments is healthy, and well 'in the money'.

3.5.2 Deucalion Aviation Funds

The Deucalion Aviation Funds consist of a series of actively managed funds which act as the investment vehicles through which DVB and private investors together invest in aviation equity investments. Our senior investment managers, based in London and New York, act as advisors to each of the funds, sourcing and managing aviation investments and assets.

3.5.2.1 Market review

With the continuing worldwide improvement in airline credit quality and increasing passenger and freight demand, investor appetite for aviation assets showed no signs of abating in 2007, with significant competition seen for investment projects from private equity funds, public and private specialist investment funds and asset lessors. Asset price inflation, a phenomenon through 2005 and 2006, accelerated further in 2007, particularly across the most popular asset types and this continued to exert some downward pressure on project investment yields and projected IRRs. Despite the increased market competition the Deucalion funds had a very busy and successful year, without compromising on target returns or credit quality.

3.5.2.2 Strategy

The funds benefit from the extensive aviation expertise and asset research capability within DVB, and 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.

3.5.2.3 Products

During 2007 the Deucalion funds concluded investment in or entered into binding commitments to acquire a total of 22 commercial jet aircraft, acquired an additional five turbofan aircraft engines and took a minority equity investment in a privately-held European low-cost airline operator.

Of the 22 aircraft, eight are new Boeing 777 Freighter aircraft being acquired from Boeing in 2009 and 2010 with an order value (at list prices) of US$2 billion. These eight aircraft will be placed on long-term lease with AeroLogic, a new joint venture airline formed by Lufthansa Cargo and DHL Express. Of the other 14 aircraft with a total transaction value of over US$600 million, six are B747-400 passenger aircraft that are being acquired from Air France in 2009 and 2010 and which Deucalion 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 freighter, through a joint venture company established in 2003 by Deucalion and a major European bank for the purpose of converting Airbus A300-600R passenger aircraft to freighters.

Deucalion's investment in two mezzanine loan investments was prepaid in 2007, and the funds sold four aircraft during the year; an A340-300 (1993), an A330-300 (2004), an A320-200 (2003) and a B747-400 (1993). The mezzanine loan investments were made in 2003, and the aircraft investments were originally acquired between 2005 and 2006.

3.5.2.4 Portfolio analysis

As at year-end 2007, the equity invested across all Deucalion funds totalled US$353 million with DVB's drawn exposure totalling US$174.6 million. The return on equity on all realised investments in 2007 has been excellent, and well above the target of 15%.

The combined Deucalion funds portfolio was well diversified at year-end 2007, by lease maturity, aircraft/asset type, geography and counterparty, with no single counterparty exceeding 5% of total equity invested.

Investment performance continues to benefit from the equity investment made in 2003 in Malaysian low-cost airline operator AirAsia. During 2007 AirAsia recorded its 23rd consecutive profitable quarter and was awarded "Airline of the Year 2007" by the Centre for Asia Pacific Aviation and "The Best Low Cost Airline in Asia 2007" by Skytrax. The company made year-on-year improvements in revenue, income and available seat capacity (with an increase in seat capacity of over 20%). The airline continues to report strong underlying demand and a relatively stable yield, despite the impact of significantly higher fuel prices year on year. The weighted average share price when the shares were launched in the November 2004 IPO was MYR 1.23; they closed 2007 at MYR 1.63.

Abbreviations Deucalion	
IRR	*Internal Rate of Return*
IPO	*Initial Public Offering*
MYR	*Malaysian Ringgit (Malaysian currency)*

3.5.3 Intermodal Equipment Fund

The Intermodal Fund was set up by DVB at the end of 2006. The fund consists of three funds which act as the investment vehicles through which DVB and private investors jointly invest in Intermodal equipment end of 2007.

3.5.3.1 Market review

2007 was a challenging year for the container box leasing companies, as rental returns kept falling despite the enduring strength of the market, high utilisation rates and the recovered and less volatile new equipment prices. Container leasing companies experienced the competition of ocean carriers, actively participating in the acquisition of new equipment.

In Europe we expect further growth in demand for Intermodal equipment due to the different transportation modes (by land, water and/or rail) for which this equipment can be used. Intermodal equipment will take pressure off congested roads. The challenge for making an investment decision lies in choosing the correct Intermodal equipment, taking into account the many different types and specs being used in Europe.

3.5.3.2 Strategy

The Intermodal funds are the ideal partners for clients requiring equity capital and investors seeking for suitable investments projects in the Intermodal area.

These funds distinguish themselves from other investment vehicles:

- Firstly, due to the in-depth knowledge of the Intermodal market through the Asset & Market Research unit.
- Secondly, due to the extensive understanding of the underlying value of the Intermodal equipment through DVB's Equipment Trading Platform that is active on the Intermodal after-market.

The Intermodal funds have a primary focus on ownership of Intermodal assets through direct equity investments. Equipment types invested in include dry vans, reefer containers, tank containers, gensets, dry specials (pallet-wides, flatracks, open tops etc.), chassis, US domestic containers, swap bodies, European regional containers, trailers, ranging in age from "factory new" to the "end of economic life" age.

3.5.3.3 Products

DVB's Intermodal Equipment Fund is the global lead arranger and purchaser of portfolios of maritime containers, managed by one of the top five leasing companies (involvement in change of container ownership of over 1.4 million TEU).

Further core products are co-investing with leasing companies in new Intermodal equipment, sale-and-leaseback transactions are employed, where client can redeliver equipment on pre-agreed locations, i.e. the funds will take the residual risk, leasing company equity investments and mezzanine loan investments.

3.5.3.4 Portfolio analysis

As at year-end 2007, the equity invested across the three Intermodal funds totalled US$106 million with DVB's drawn exposure totalling US$24.4 million.

In 2007 we concluded eight transactions for a total value of US$135 million.

The main transaction was a deal closed on 23 July 2007. CIF 3, an investment fund advised by DVB, acquired Capital Lease Limited, Hong Kong, the world's 8th largest container leasing company, and simultaneously sold the management rights to Capital Lease's 0,5 million-strong TEU container fleet to Textainer, a leading manager of container portfolios. This acquisition fits with DVB's strategy to build on its position as a leading funding partner for the container leasing market and to increase its asset financing business in the Intermodal area. Winning the competitive bidding process to acquire Capital Lease proves that DVB has built up a competitive advantage in acquiring container portfolios for the funds advised by it.

Other transactions include mezzanine debt positions in container portfolios and leases. Container asset classes are standard dry and refrigerated containers. The fund holds equity positions in portfolios consisting of various asset classes like European chassis and swap bodies, standard maritime dry containers and US domestic containers and chassis. In addition, the fund holds an equity position in the trading and disposal of older containers advised by DVB's own in-house Equipment Trading Platform.

3.5.4 Cruise/Ferry Funds

In November 2007, DVB announced the set up of a new, €100 million investment fund, Cruise/Ferry Master Fund I N.V., covering the passenger shipping sector in partnership with KG-house Buss Capital. As at year-end 2007, the equity invested across the master fund with DVB's drawn exposure totalled US$26.8 million.

Aimed at combining the asset knowledge of our Shipping Division, the passenger transportation business model expertise of our Aviation Division, and strategically covering the ground between the NFC and Deucalion investment vehicles, the master 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 has a primary focus on ownership of cruise vessels and ferries through direct equity investments, chiefly through operating lease and sale-leaseback transactions. The fund 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 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, which was received in a record time of four weeks, underscoring both the fund's transparency and attractiveness to the German retail market.

To date, the fund has made two mezzanine investments and is in the final stages of completing an additional two such investments. Together, these four transactions represent approximately 40% of the fund's equity capital. In addition, the fund has signed two exclusivity agreements; one for a sale-and-leaseback transaction for a new-building cruise vessel and another for an equity investment in a fast-growing luxury expedition cruise company.

With a further healthy pipeline of opportunities and a faster than anticipated investment process, the setup of a second, €200 million master fund is currently being contemplated.

3.5.5 Stephenson Capital Fund

Our Investment Management Division has launched Stephenson Capital, a rail investment fund with an initial size of €30 million. On 21 December 2007, the fund closed its first investment in a larger-sized European rail project.

The new fund mainly provides capital to finance rolling stock in Europe and the US. Retaining advisory services from DVB Bank, the fund is also managed by us.

The new fund represents a further milestone in developing DVB's successful investment management activities. Considering DVB's extensive know-how in matters relating to transport markets, and in view of the success of each of the investment funds already established by the Bank, DVB is an ideal partner for discerning investors seeking appropriate target assets to gain exposure to the international transport markets.

At the same time, we can leverage the new investment fund to provide equity alternatives to our Land Transport clients looking to finance rail projects. Complementing the Bank's range of products and services – lending, arranging complex financing packages, and advising on investments in rolling stock – the fund provides a good basis for enhancing the business relationships with our clients.

Abbreviations Cruise/Ferry Funds

BaFin	*Bundesanstalt für Finanzdienst-leistungsaufsicht*

3.6 Transport Finance – ITF International Transport Finance Suisse AG

ITF International Transport Finance Suisse AG (ITF Suisse) was established in May 2007, as a wholly-owned subsidiary of DVB Bank AG. Based in Zurich, ITF Suisse started operations with a staff of eight on 2 August 2007.

3.6.1 Market review

Almost immediately after ITF Suisse commenced business activities, the banking sector was hit by the sub-prime crisis and the demise of the North American property market. The resulting confidence crisis brought the interbank capital market to a virtual standstill. The resulting increase in funding costs has slowed down the build-up of the portfolio.

Nevertheless, given existing obligations to take delivery of ships, aircraft, and land transport assets orders, there is still demand for adequate financing. The challenge is to pass on higher funding costs to borrowers, through higher spreads.

Overall, we expect a revival of the syndication market, which is currently inactive in some segments – until then, only selected individual transactions will be feasible. To this extent, the portfolio building process will be slowed down, but we do not anticipate financings to disappear altogether, nor do we envisage a change in the business concept.

3.6.2 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 Group'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 structuring processes which also facilitates fast decision-making. This is made possible by an experienced team and firm integration within the DVB Group.

3.6.3 Products

ITF Suisse exclusively engages in sub-participations in transport finance deals syndicated in the international interbank market. The transactions must fulfil defined risk criteria, with senior collateralisation by the financed asset required in principle.

3.6.4 Portfolio analysis

During the course of its abridged business year 2007, ITF Suisse established contacts with 23 banks who act as lead managers for syndicated loans covering the transport finance market.

Despite the fact that the start-up period coincided with the global liquidity crisis, ITF Suisse approved its first transaction on 12 September, with the signing on 26 October 2007. Overall, international lead managers presented 56 financings with an aggregate volume of US$2.52 billion during the five months of 2007 that the company was active, of which nine deals (US$377 million) were approved and six (US$209 million) signed by the year-end. A total volume of US$102 million had been disbursed by 31 December 2007.

All transactions underwritten in the abridged financial year were in shipping finance; the first aviation finance deal is expected to be signed in the first quarter of 2008.

In line with the restrictive lending policy pursued by ITF Suisse, the entire portfolio volume is backed by senior liens on assets. Close to 97% of exposures have a loan-to-value ratio of below 60%, with only 3% of the portfolio ranging between 60% and 85%.

4. Business and operating environment – Treasury

Group Treasury, based in Frankfurt/Main, is responsible for securing the refinancing of the DVB Group. 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.

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 client business, for managing liquidity, and to hedge profit contributions – which are predominantly 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.

4.1 Impact on DVB of the crisis affecting international financial markets

Treasury activities in 2007 were dominated by the crisis affecting international financial markets, triggered by the so-called sub-prime crisis.

DVB was not directly affected by the negative implications of the financial markets crisis. Having consistently implemented its business model – comprising financing, structuring, and advisory services in the international Transport Finance business – throughout 2007, DVB did not have exposure to assets related to the US sub-prime sector. DVB's strict adherence to its strategy therefore shielded the Bank against any direct negative impact from the crisis.

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, impacted on our funding structure and refinancing costs. For a short period, the crisis in the financial markets has had the effect of curtailing liquidity rather severely, thus bringing about a significant cost increase.

4.2 Funding volume and refinancing vehicles

DVB's aggregate ***funding volume*** in 2007 amounted to €11.38 billion, of which €8.70 billion was denominated in euro and €2.60 billion in US-dollar. At €0.08 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 clients, drawings under our MTN programme, own funds (as defined in the German Banking Act), and amounts drawn under the Commercial Paper programme. Promissory note loans and short-term deposits together accounted for an aggregate 69% share of the total volume.

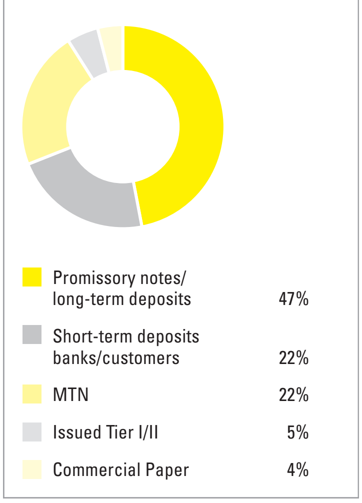
4.3 Structural comparison of refinancing vehicles

As a result of the financial markets crisis, liquidity in short-term products such as commercial paper decreased considerably as from the end of August 2007; demand has slowly started to recover so far in 2008. Also, demand by international investors for our fixed-income securities denominated in US dollars – issued under the MTN programme – was lower than we had anticipated. We managed to successfully cope with this indirect impact of the financial markets crisis by increasingly focusing our funding activities towards German-speaking countries, where DVB benefits from its integration into the German cooperative banking sector, which has sufficient liquidity available.

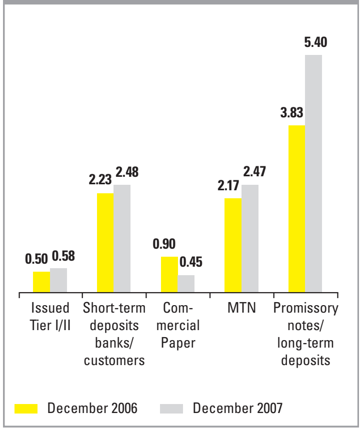
A structural analysis of funding activities in 2006 and 2007 showed a 41% increase in DVB's German market sales of promissory note loans (€5.40 billion in 2007 vs. €3.38 billion in 2006). Short-term deposits from banks and clients were up 11%, to €2.48 billion, whilst drawings under our Commercial Paper programme fell strongly, with the 47% decline reflecting market developments.

The adjacent chart illustrates the breakdown of funding volumes across the various refinancing vehicles in the years 2006 and 2007.

Sources of funding (volume €11.38 bn)



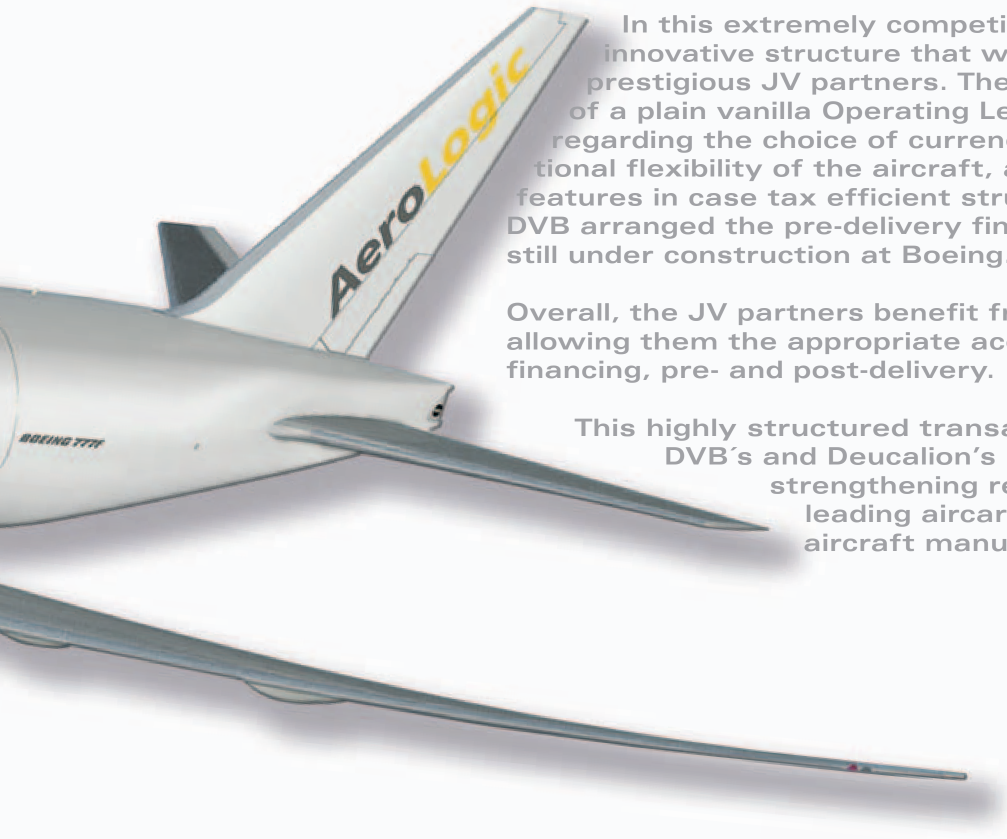
Structural comparison of refinancing vehicles (€ bn)



DVB's largest aviation deal ever lifted off

DVB and Deucalion Capital VII Limited, acting as Global Lease Arranger and Investor, closed a milestone transaction in November 2007 for the purchase of eight new Boeing 777 Freighter aircraft to be delivered in 2009 and 2010. Those aircraft will be long-term leased to AeroLogic, a joint venture airline created by Lufthansa Cargo AG and Deutsche Post AG.

This is the largest transaction ever arranged by DVB. Based on Boeing's escalated list prices, the aircraft are valued at approximately US$2 billion.



In this extremely competitive bid, DVB proposed a highly innovative structure that was ultimately retained by the two prestigious JV partners. The result combines the advantage of a plain vanilla Operating Lease with unique added benefits regarding the choice of currency on some of the leases, operational flexibility of the aircraft, and even profit participation features in case tax efficient structures were added. In addition, DVB arranged the pre-delivery financing of the aircraft which are still under construction at Boeing.

Overall, the JV partners benefit from a complete 'turnkey' solution, allowing them the appropriate accounting treatment and 100% financing, pre- and post-delivery.

This highly structured transaction tremendously enhanced DVB´s and Deucalion's reputation in the aviation market, strengthening relationships with two of Europe's leading aircargo specialists as well as a leading aircraft manufacturer.

5. Economic situation

in accordance with section 315 (1) sentences 1 to 4 of the HGB
(as at 18 March 2008)

Abbreviations Economic situation

AktG	*German Public Limited Companies Act (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)*
LtV ratio	*Loan-to-value ratio*
pp	*Percentage points*
RoE	*Return on equity*

2007 was the fourth year during which DVB's income was generated exclusively from its international Transport Finance business. Our strong earnings – which climbed 17.3% to €266.1 million – confirmed the success of our unequivocal strategic focus. Net interest income after loan losses was up 28.8%, to €169.6 million, and net fee and commission income rose 17.0%, to €84.8 million. The result from ordinary activities before tax was up a significant 16.9%, to €118.7 million. Business volume increased by 26.7%, to €16.6 million (2006: €13.1 million).

DVB exclusively extends loans which are secured by the financed transport assets, such as ships, aircraft, locomotives, or wagons. DVB's in-house research capabilities are crucially important for assessing and valuing such assets. In spite of rising competitive pressures, DVB adhered to its tried-and-tested strategy of pricing exposures in line with the risks involved. Thanks to the conservative collateralisation structures pursued, DVB was once again free from problem exposures in 2007. Taking a long-term view, global transport remains a growth market, albeit one that is subject to global economic cycles. DVB's lending policies are cyclus-neutral in principle, supported by a sophisticated risk management system. The Bank uses an internal rating model, based on the Advanced Approach under Basel II and customised to meet the requirements of the international Transport Finance business, to manage the risk exposure of its credit portfolio.

5.1 Key elements, external factors and preliminary remarks on business performance during the 2007 business year

5.1.1 The following key elements characterised DVB's business in 2007:

- Strong growth in new international Transport Finance business, with 256 new transactions and an aggregate volume of €7.09 billion.
- A leading position in 69.4% of transactions in the overall portfolio, and in 67.0% of new transactions.
- Expansion of the Aviation platform, including the acquisition of a majority stake in TES Aviation;
- Expansion of Investment Management activities:
  - CIF 3, an investment fund advised by DVB, acquired Capital Lease Limited, Hong Kong, the world's 8th largest container leasing company, and simultaneously on-sold the management rights to Capital Lease's 0.5 million TEU container fleet to Textainer Group, San Francisco, USA.
  - Buss Capital and DVB jointly launched a Cruise Shipping fund.
  - Stephenson Capital was launched as the first rail investment fund.

- Preparations for launching an innovative organisational structure in Shipping Finance, effective 1 January 2008.

- Land Transport awarded "Rail Finance House of the Year".

5.1.2 External factors

5.1.2.1 Impact on DVB of the crisis affecting international financial markets

DVB focuses on financing, structuring, and advisory services in the international Transport Finance business. Having consistently implemented this business model throughout 2007, DVB was not involved in business transactions which caused the US sub-prime crisis. DVB's strict adherence to its strategic focus therefore shielded the Bank against any direct negative impact from the crisis.

Looking at the short-term, the crisis in the financial markets has had the effect of curtailing liquidity rather severely, thus bringing about an increase in cost. Liquidity in short-term funding vehicles, such as commercial paper, decreased considerably as from the end of August 2007; demand has slowly started to recover so far in 2008. Therefore, DVB increasingly re-focused its funding activities towards German-speaking countries, where the Bank benefits from its integration into the German cooperative banking sector, which has sufficient liquidity available.

DVB includes the higher refinancing costs in pricing new business, without exception. The Bank continues to rely on a sound funding base within the framework of the DZ BANK Group.

5.1.2.2 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 effect of a strong euro against a weak US-dollar had a significant impact:

- 78.9% of the overall volume of customer lending was denominated in US-dollar, representing 80.1% of the lending business in Shipping and 97.7% in Aviation. The increase in the nominal volume of customer lending was considerably lower in euro terms (+20.1%) than on a US-dollar basis (+34.2%).

- The US-dollar/euro exchange rate also had a considerable bearing on the net interest and net fee and commission income generated in the two largest Transport Finance segments. However, less than one-third of the lending volume in Land Transport Finance is denominated in US-dollar, so that the income generated in these segments 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 used derivatives to hedge the net income derived from the difference between US-dollar-denominated income and euro-denominated costs, so that these revenues remained largely unaffected by fluctuations in the exchange rate during the course of the year.

5.1.3 Preliminary remarks

In December 2006, the Board of Managing Directors of DVB Bank AG decided to discontinue the financing business in the Transport Infrastructure Finance segment and to sell the loan portfolio with a volume of approximately €0.67 billion. Accordingly, the sale planned at that time was correctly reported in the consolidated financial statements for the business year 2006 as a discontinued operation.

In April 2007, the Board of Managing Directors of DVB Bank AG decided to discontinue negotiations with regard to the disposal of its Transport Infrastructure business with interested financial institutions. The credit exposures involved will be held and managed until maturity, since the associated profit contribution will exceed the potential disposal proceeds.

Accordingly, a reclassification of the Transport Infrastructure portfolio was already stated in the Half-Yearly Financial Report 2007, and in the Interim Management Statement for the second half of 2007.

As previously, loans and advances extended are reported in the consolidated balance sheet 2007 as loans and advances to customers, and debt securities as investment securities. The results generated in the Transport Infrastructure Finance business will no longer be reported separately in the income statement, in the result from discontinued operations, but included in net interest income, and in net fee and commission income. The comparative information for the 2006 business year, as presented in the financial statements, was adjusted accordingly.

5.2 Results of operations

5.2.1 Income

DVB's income developed very favourably in 2007, increasing by 17.3%, from €226.9 million to €266.1 million. As in the consolidated financial statements for 2006, the following factors were incorporated:

- impairment losses on loans and advances were 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	2007	2006	Changes € mn	Changes %
Income	**266.1**	**226.9**	**39.2**	**17.3**
Net interest income after loan losses	**169.6**	**131.7**	**37.9**	**28.8**
Interest and similar income	797.4	699.3	98.1	14.0
Interest income	779.9	688.1	91.8	13.3
Current income	17.5	11.2	6.3	56.3
Interest expenses	607.5	539.8	67.7	12.5
Impairment losses on loans and advances	20.3	27.8	–7.5	–27.0
Net fee and commission income	**84.8**	**72.5**	**12.3**	**17.0**
Fee and commission income	92.7	78.7	14.0	17.8
Fee and commission expenses	7.9	6.2	1.7	27.4
Net income from financial instruments in accordance with IAS 39	**6.1**	**12.9**	**–6.8**	**–52.7**
Net trading income	–6.2	–1.3	–4.9	–
Hedge result	–3.8	–1.7	–2.1	–
Result from the application of the fair value option	0.4	1.7	–1.3	–76.5
Result from derivatives entered into without intention to trade	–1.4	8.5	–9.9	–
Net income from investment securities	17.1	5.7	11.4	–
Result from investments in companies accounted for using the equity method	**3.7**	**4.0**	**–0.3**	**–7.5**
Net other operating income/expenses	**1.9**	**5.8**	**–3.9**	**–67.2**

5.2.1.1 Net interest income after loan losses

Net interest income after loan losses rose by 28.8%, from €131.7 million to €169.6 million.

Net interest income

Consolidated net interest income increased by 19.1%, from €159.5 million to €189.9 million.

This figure included a sharp increase in net interest income generated in Transport Finance segments, which climbed by 11.5%, from €143.8 million to €160.3 million. In Shipping, net interest income was up by 30.3%, to €71.0 million. In Aviation, it declined slightly, by 1.4%, to €48.2 million, whilst in Land Transport, it improved by 7.8%, to €9.7 million. Net interest income generated by the Investment Management Division remained unchanged, at €31.4 million – thus accounting for 16.5% of total consolidated net interest income.

Interest income rose by 14.0%, from €699.3 million to €797.4 million. Major contributions to the total figures are broken down as follows:

- €701.5 million (+16.4%) from Transport Finance credit business;
- €67.8 million (+18.1%) from operating lease income, derived largely from the NFC and Deucalion funds, which must be consolidated; and
- €17.5 million (+94.4%) from current income, generated by distributions from investments, and from joint ventures.

The ***trend in interest margins*** for new Transport Finance business transpires as follows:

	Shipping	Aviation	Land Transport	Transport Infra-structure
2007	**137bp**	**159bp**	**114bp**	**–**
2006	135bp	191bp	137bp	122bp
2005	139bp	216bp	149bp	243bp

Interest expenses of €607.5 million (+12.5%) are composed of €542.7 million in refinancing costs for the Transport Finance lending business, €26.4 million in operating-lease expenditure, and €38.4 million in expenses for silent partnership contributions and subordinated capital.

Impairment losses on loans and advances

Impairment losses on loans and advances fell by 27.0%, from €27.8 million to €20.3 million.

€ mn	2007	2006	Changes € mn	Changes %
Impairment losses on loans and advances	**20.3**	**27.8**	**–7.5**	**–27.0**
Additions	40.0	39.7	0.3	0.8
Reversals	–20.6	–12.6	–8.0	63.5
Direct write-offs	1.0	1.0	0.0	0.0
Recoveries on loans and advances previously written off	–0.1	–0.3	0.2	–66.7

Additions totalled €40.0 million. The main items were:

- €16.0 million for the Aviation portfolio;
- €9.8 million for the Shipping portfolio;
- €5.9 million for the D-Marketing portfolio, which the Bank continues to reduce;
- €3.5 million for the Land Transport portfolio; and
- €3.2 million for the Transport Infrastructure portfolio, with residual exposures held to maturity.

This figure was offset by €20.6 million in ***amounts released.*** The main items were:

- €14.3 million for the Aviation portfolio;
- €2.7 million for D-Marketing; and
- €1.5 million for the Shipping portfolio.

Total allowance for losses on loans and advances declined by 13.4%, from €130.7 million to €113.2 million, comprising mainly:

- €51.9 million for the Aviation portfolio;
- €28.5 million for the D-Marketing portfolio, which the Bank continues to reduce;
- €19.8 million for the Shipping portfolio;
- €8.7 million for the Transport Infrastructure portfolio, with residual exposures held to maturity; and
- €3.7 million for the Land Transport portfolio.

Thanks to the high level of collateralisation of our Transport Finance activities, provided by the financed assets in the asset lending business (Shipping, Aviation and Land Transport), and the full coverage of the Transport Infrastructure exposure through concessions, no *country risk provisions* are required in accordance with IAS 39. Additionally, at 0.4% in terms of net risk exposure, the share of commitments that involve a high degree of country risk relative to the overall volume of customer lending is very low.

5.2.1.2 Net fee and commission income

Consolidated net fee and commission income also posted a notable increase of 17.0%, from €72.5 million to €84.8 million.

The contribution from Transport Finance segments rose by 27.5%, from €61.9 million to €78.9 million.

The growth in Shipping Finance was particularly striking, increasing by 46.3%, from €41.5 million to €60.7 million. Net fee and commission income in Aviation Finance also developed positively, gaining 8.8% to €21.1 million, whilst in Land Transport Finance, it was off 12.0%, from €2.5 million to €2.2 million.

Fee and commission income in total amounted to €92.7 million (+17.8%). The figure was offset by *fee and commission expenses* of €7.9 million (+27.4%) – including, in particular, expenses incurred in the credit business, and for guarantees and indemnities.

5.2.1.3 Net income from financial instruments in accordance with IAS 39

Net income from financial instruments in accordance with IAS 39 changed from €12.9 million to €6.1 million.

Net trading income amounted to €–6.2 million (2006: €–1.3 million), including standalone derivatives in the trading portfolio. On the other hand, the *hedge result (hedge accounting)* was €–3.8 million (2006: €–1.7 million); this figure includes derivatives with effective hedge relationships. The *result from the application of the fair value option* in accordance with IAS 39 amounted to €0.4 million (2006: €1.7 million) and included the previous year's designated hedged items and associated derivatives. The *result from derivatives entered into without intention to trade* fell from €8.5 million to €–1.4 million. *Net income from investment securities* increased from €5.7 million to €17.1 million and results largely from the disposal of investment securities held "available for sale".

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

Results from investments accounting for using the equity method declined by 7.5%, from €4.0 million to €3.7 million.

5.2.1.5 Net other operating income/expenses

Net other operating income/expenses was down considerably, from €5.8 million to €1.9 million. Net other operating income in 2006 included the reversal of provisions set aside in the face of proceedings pending since 2000, concerning an administrative fine imposed by the European Commission on DVB Bank AG. In September 2006, the European Court of Justice delivered a legally binding judgement confirming the protest filed by DVB Bank AG against the administrative fine, so that pertinent provisions had to be fully released. This special effect no longer applied in 2007.

5.2.2 Development of the result from ordinary activities before tax

The result from ordinary activities before tax was up by 16.9%, from €101.5 million to €118.7 million.

€ mn	**2007**	2006	Changes	
			€ mn	%
Income	**266.1**	**226.9**	**39.2**	**17.3**
General administrative expenses	**147.4**	**125.4**	**22.0**	**17.5**
Staff expenses	88.0	71.4	16.6	23.2
Non-staff expenses	54.4	47.6	6.8	14.3
Depreciation, amortisation, impairment and write-ups	5.0	6.4	–1.4	–21.9
Result from ordinary activities before tax	**118.7**	**101.5**	**17.2**	**16.9**

General administrative expenses, which are deducted from income, increased by 17.5% to €147.4 million.

5.2.2.1 Staff expenses

Staff expenses rose by 23.2%, from €71.4 million to €88.0 million. This increase was down to two factors: firstly, it reflected the setting-up of specialist teams worldwide in Transport Finance and Investment Management. Secondly, it also reflected the provisions that were set aside in the 2007 business year for higher bonuses which will be paid to DVB staff in April and May 2008, reflecting the positive results achieved in the business year under review.

5.2.2.2 Non-staff expenses

At €54.4 million, non-staff expenses were up 14.3% on the previous year (2006: €47.6 million). The key factors behind this increase were:

- advisory expenses of €16.3 million, which were broken down as follows:
  - €7.2 million for legal and audit expenses,
  - €9.1 million for other advisory services (incl. IT consultancy expenses);
- occupancy expenses of €10.6 million;
- ancillary labour costs of €10.5 million; and
- contributions and fees of €4.6 million.

5.2.2.3 Depreciation, amortisation, impairment and write-ups

Depreciation, amortisation, impairment and write-ups grew by 21.9%, from €6.4 million to €5.0 million. Of this, €1.8 million was attributable to intangible assets (software).

5.2.3 Development of consolidated net profit

Consolidated net profit climbed by 21.3%, from €90.0 million to €109.2 million.

The result from operating activities was subject to an actual tax burden of €18.9 million, which was offset by €7.9 million in income related to deferred taxes.

Thus, a total of €11.0 million in income tax expense was reported. Therefore, the result from ordinary activities after tax amounted to €107.7 million.

€ mn	**2007**	2006	Changes	
			€ mn	%
Result from ordinary activities before tax	**118.7**	**101.5**	**17.2**	**16.9**
Income tax expense	–11.0	–13.0	2.0	–15.4
Minority interest	1.5	1.5	0.0	0.0
Consolidated net profit	**109.2**	**90.0**	**19.2**	**21.3**

Consolidated net profit additionally included minority interest income of €1.5 million (2006: €1.5 million), which was recognised with respect to third-party funding contributions to the fully-consolidated NFC and Deucalion Funds.

5.2.4 Distributable profit and appropriation of profits

Distributable profit rose from €12.5 million to €20.6 million (+64.8%).

€ mn	**2007**	2006	Changes € mn	Changes %
Consolidated net profit	**109.2**	**90.0**	**19.2**	**21.3**
Profit carried forward from previous periods	0.7	0.7	0.0	0.0
Transfer to retained earnings	89.3	78.2	11.1	14.2
Distributable profit	**20.6**	**12.5**	**8.1**	**64.8**

Profit carried forward from previous periods remained unchanged, at €0.7 million. Additionally, €89.3 million (+14.2%) was transferred from current operations to ***retained earnings.***

We will propose to DVB Bank AG's 2007 Annual General Meeting, which will be held on 11 June 2008, to pay an increased ***dividend*** of €5.00 (+€2.00) per notional no-par value share for the 2007 business year. This represents a dividend yield of 1.77% based on the year-end price of €282.00.

5.3 Financial position

5.3.1 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 divisions, by 18.0% to €11.98 billion (2006: €10.15 billion). ***Liabilities to banks*** rose by 59.2%, from €2.55 billion to €4.06 billion. ***Liabilities to customers*** increased by 8.2%, from €4.03 billion to €4.36 billion. ***Securitised liabilities*** were down slightly by 3.3%, from €3.03 billion to €2.93 billion. ***Subordinated liabilities*** increased by 16.6%, from €0.54 billion to €0.63 billion.

5.3.2 Own funds as defined by the German Banking Act

Own funds as defined by the German Banking Act (KWG) increased by 15.5% to €1.19 billion (2006: €1.03 billion).

€ mn	**2007**	2006	2005	2004	2003
Issued share capital	101.8	100.5	99.6	77.6	77.2
Reserves	584.3	481.0	419.4	296.6	270.1
Silent partnership contributions	77.5	77.5	77.5	77.5	77.5
Reserves eligible for inclusion and adjustments in accordance with the KWG	50.9	69.0	67.0	58.2	64.6
Core capital (Tier I)	**814.5**	**728.0**	**663.5**	**509.9**	**489.4**
Subordinated liabilities	336.1	261.3	242.2	200.0	201.0
Profit-participation certificates	75.0	75.0	126.1	126.1	126.1
Reserves eligible for inclusion and adjustments in accordance with the KWG	–32.5	–31.1	–23.5	–15.8	–12.5
Supplementary capital (Tier II)	**378.6**	**305.2**	**344.8**	**310.3**	**314.6**
Tier III funds	**–**	**–**	**–**	**–**	**–**
Own funds as defined by the KWG [1]	**1,193.1**	**1,033.2**	**1,008.3**	**820.2**	**804.0**

1) Taking into consideration reserves and transfers to reserves from net profit.

5.3.2.1 Funds raised via the ‘DVB shares’ employee share ownership programme (2001–2007)

Exercising two authorisations approved by the Annual General Meeting held on 21 June 2000 (as detailed below), DVB’s capital was increased via the ‘DVB shares’ employee share ownership programme in the business years 2001 through 2007:

- based on Authorised Capital II (in accordance with Article 4b of the previous wording of the Memorandum and Articles of Association), authorising the issue of up to 90,000 employee shares in the amount of approx. €2.3 million; and
- on Conditional Capital (in accordance with Article 4c of the previous wording of the Memorandum and Articles of Association), authorising the issue of up to 180,000 employee shares in the amount of approx. €4.6 million.

DVB Bank AG raised own funds in the aggregate amount of €14,731,892.56 from the 'DVB shares' programme in the years 2001 through 2007.

- From 2001 to 2007, the nominal share capital in accordance with the Memorandum and Articles of Association was increased by a total amount of €3,393,367.52, equivalent to 136,594 shares issued or options exercised, respectively.
- The remaining €11,338,525.04 in funds raised was posted to capital reserves of the respective single-entity balance sheets of DVB Bank AG.

Detailed information is provided in the following table.

Total authorisation, as resolved by the AGM held on 21th June 2006	Shares 90,000			Options 180,000		
	Notional non-par value shares issued	Capital increase from Authorised Capital II	registered in the Commerical Register on	Options exercised (no. of shares)	Capital increase from Conditional Capital	registered in the Commercial Register on
2000 tranche	3,857					
2001 tranche	3,224	251,472.00	29 Jun 2001			
2002 tranche	2,567	176,609.60	17 Jul 2002			
2003 tranche	3,144	193,670.40	6 Aug 2003			
2004 tranche	2,672	211,622.40	30 Aug 2004			
1st tranche (2003)				11,212	526,627.64	28 Oct 2003
2nd tranche (2004)				11,643	782,293.17	17 Feb 2005
3rd tranche (2005)				12,450	1,151,251.50	12 Oct 2005
4th tranche (2006)				35,765	4,852,952.85	27 Feb 2007
5th tranche (2007)				50,060	6,585,393.00	13 Feb 2008
Total	**15,464**	**833,374.40**		**121,130**	**13,898,518.16**	

Employees exercised a total of 50,060 options in the course of the fifth and last round of exercises in the year 2007, resulting in an aggregate of €6,585,393.00 in own funds raised under conditional capital. In the financial statements of DVB Bank AG, the amount issued was allocated to the issued share capital in the amount of €1,279,763.58 and to the capital reserve in the amount of €5,305,629.42. The capital increase from the exercise of options was registered with the Commercial Register at the Frankfurt/Main District Court *(Amtsgericht Frankfurt am Main)* on 13 February 2008; registration was legally effected after the end of the 2007 business year in accordance with section 201 (1) of the German Public Limited Companies Act *(Aktiengesetz – "AktG")*.

The issued share capital of DVB Bank AG currently amounts to €101,817,054.66, divided into 3,982,737 notional no-par value common bearer shares ('unit shares'), with a proportionate share in the share capital of €25.56459406 per share.

5.3.2.2 Core capital (Tier I)

Core capital (Tier I) increased by 11.9% in 2007, to €814.5 million (2006: €728.0 million).

In accordance with the German Banking Act, ***issued share capital*** increased from €100.5 million to €101.8 million, due to new notional no-par value shares derived from conditional capital (Article 4b of the Memorandum and Articles of Association), which accrued in 2007 and were issued in January 2008, within the scope of the 'DVB shares' employee share ownership scheme. (Please refer to section 5.3.2.1 for details.)

Strengthening DVB Bank AG's liable capital is key to its continued objective of realising further profitable growth potential in international Transport Finance. Thus, ***reserves*** increased 21.5%, from €481.0 million to €584.3 million.

5.3.2.3 Supplementary capital (Tier II)

Supplementary capital (Tier II) increased by 24.0%, from €305.2 million to €378.6 million.

Subordinated liabilities climbed overall by 28.6%, from €261.3 million to €336.1 million.

At €75.0 million, ***profit-participation certificates*** eligible for inclusion according to the German Banking Act were unchanged over the previous year.

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

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

%	**2007**	2006	2005	2004	2003
Core capital ratio	6.4	6.8	6.8	6.7	6.8
Total capital ratio	9.4	9.7	10.2	10.7	11.1

Since 78.9% of international Transport Finance exposure is denominated in US-dollar, exchange rate developments also impacted on risk-weighted assets, and hence on the capital ratios. Risk-weighted assets rose as a result of the prospering new business. Core 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 therefore fell slightly to 9.4%, and the core capital ratio was reduced to 6.4%.

5.3.4 Return on equity and cost/income ratio

The management of DVB Group during 2007 focused on the key financial indicators of return on equity (RoE) and the cost/income ratio (CIR).

%	IFRS 2007	IFRS 2006	HGB 2007	HGB 2006
Return on equity (before tax)	20.4	19.9	25.6	20.9
Cost/income-Ratio	51.2	49.9	45.0	45.1

The RoE calculated in accordance with ***IFRS*** performed well in 2007, rising from 19.9% to 20.4%. The CIR in accordance with IFRS rose 49.9% to 51.2%.

When applying ***German GAAP (HGB),*** both ratios performed in line with projections, with RoE up 4.7 percentage points, to 25.6%, in 2007. The CIR fell by another 0.1 percentage points, to 45.0%.

We calculated the RoE before taxes in accordance with IFRS as follows: the result from ordinary activities before tax (including minority interest) of €120.2 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, and minority interest, all items as at 1 January 2007) of €588.7 million. This equated to a ratio of 20.4%.

We calculated the CIR in accordance with IFRS as follows: the general administrative expenses figure of €147.4 million was divided by the total of net interest income (before loan losses), net fee and commission income, net income from financial instruments in accordance with IAS 39, results from investments accounting for using the equity method, net other operating income/expenses, and minority interest (€287.9 million). This corresponded to a ratio of 51.2%.

5.4 Net assets

5.4.1 Business volume and total assets

At €16.6 billion, the volume of business in 2007 was up 26.7% on the previous year (2006: €13.1 billion). Besides total assets of €13.2 billion, the figure also includes irrevocable loan commitments of €3.4 billion.

5.4.2 Lending volume over time

Lending volume of €15.7 billion was up 24.4% on the previous year.

€ bn	2007	2006	Changes € bn	Changes %
Loans and advances to banks	1.5	0.6	0.9	–
Loans and advances to customers	10.0	9.2	0.8	8.6
Securities (incl. equity investments)	0.1	0.2	–0.1	–50.0
Guarantees and indemnities	0.6	0.3	0.3	100.0
Irrevocable loan commitments	3.4	2.0	1.4	70.0
Derivatives	0.1	0.3	–0.2	–66.7
Lending volume	**15.7**	**12.6**	**3.1**	**24.4**

At €1.5 billion, *loans and advances to banks* increased significantly compared to the previous year (2006: €0.6 billion).

Loans and advances to customers rose by 8.6% to €10.0 billion.

The volume of *investment securities (including equity investments)* held was halved, from €0.2 billion to €0.1 billion.

Guarantees and indemnities doubled to €0.6 billion, whilst *irrevocable loan commitments* increased by 70.0%, from €2.0 billion to €3.4 billion. The rise in both figures was also attributable to the high-volume new business.

As in previous years, we employed derivative instruments for hedging purposes, offering them (to a very limited extent) to our clients as well. The volume of *derivatives* fell by 66.7% to €0.1 billion.

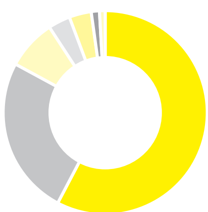
5.4.3 Nominal volume of customer lending by business division

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 division and loan exposures no longer in line with our strategy, which are managed and further reduced by D-Marketing.

Prospering new business in the Shipping (+27.9%), Aviation (+14.3%) and Land Transport (+7.5%) segments drove up customer lending by 20.1%, from €11.97 billion to €14.37 billion.

The breakdown of customer lending is as follows:

Customer lending by business division



Shipping	58.3%
Aviation	25.2%
Land Transport	7.9%
Transport Infrastructure	3.5%
Investment Managment	3.5%
ITF Suisse	1.0%
D-Marketing	0.6%

At 58.3%, Shipping accounted for the lion's share (2006: 56.1%), followed by Aviation's 25.2% (2006: 26.1%). 7.9% was attributable to Land Transport (2006: 8.2%), and 3.5% to Transport Infrastructure (2006: 5.6%). We saw continued high growth potential in the Investment Management segment, which accounted already for a share of 3.5% in 2007 (2006: 3.0%). DVB's subsidiary ITF Suisse already accounted for a portfolio share of 1.0% in 2007, its first year of operations. The D-Marketing share continued to fall in line with the strategy, amounting to a mere 0.6% (2006: 1.0%).

5.4.4 Portfolio analysis

5.4.4.1 Portfolio analysis – Key factors

The following factors defined portfolio development during 2007:

- Euro/US-dollar exchange rate development:
  The US-dollar continued to weaken considerably in 2007. Customer lending climbed by 20.1% in euro terms, which was less than on a US-dollar basis (+34.2%), whereby 78.9% of all customer lending was denominated in US-dollar (Shipping: 80.1%; Aviation: 97.7%).

- Leading role:
  In 2007, DVB maintained its role in international Transport Finance and was again involved in a considerable number of transactions where the Bank took a leading role (in 2007 and 2006: 67.0%).

- Investment Management:
  This segment accounts for the high-growth investment fund business, including NFC Shipping Funds, Deucalion Aviation Funds, Intermodal Equipment Funds, Cruise/Ferry Funds, and Stephenson Capital.

5.4.4.2 Portfolio analysis – Volume trends

In order to detail the effects of the euro/US-dollar exchange rate, we have illustrated the development of lending volume by business division over a five-year period, both in terms of euro and US-dollar.

The Shipping portfolio grew by 39.6% in US-dollar terms, from US$8.84 billion to US$12.34 billion. Due to currency effects, the increase was smaller in euro terms, growing by 24.9%, from €6.71 billion to €8.38 billion.

The same scenario applied to the Aviation portfolio, which grew by 29.4% in US-dollar terms, from US$4.11 billion to US$5.32 billion. The increase in euro terms was significantly smaller, up by 16.0% from €3.12 billion to €3.62 billion.

Volume trends (€ bn)	**2007**	%	2006	%	2005	%	2004	%	2003	%
Shipping	8.38	58.3	6.71	56.1	5.73	53.2	4.29	52.6	3.95	52.2
Aviation	3.62	25.2	3.12	26.1	2.99	27.7	2.20	27.0	2.02	26.7
Land Transport	1.14	7.9	0.98	8.2	0.96	8.9	0.90	11.0	0.80	10.6
Transport Infrastructure	0.50	3.5	0.67	5.6	0.64	5.9	0.52	6.4	0.47	6.2
Investment Management	0.51	3.5	0.36	3.0	0.27	2.5	–	–	–	–
ITF Suisse	0.14	1.0	–	–	–	–	–	–	–	–
D-Marketing	0.08	0.6	0.13	1.0	0.19	1.8	0.25	3.0	0.33	4.3
Total	**14.37**	**100.0**	**11.97**	**100.0**	**10.78**	**100.0**	**8.16**	**100.0**	**7.57**	**100.0**

Volume trends (US$ bn)	**2007**	%	2006	%	2005	%	2004	%	2003	%
Shipping	12.34	58.3	8.84	56.1	6.75	53.1	5.84	52.6	4.98	51.9
Aviation	5.32	25.2	4.11	26.1	3.53	27.8	3.00	27.0	2.60	27.1
Land Transport	1.68	7.9	1.29	8.2	1.13	8.9	1.22	11.0	1.00	10.4
Transport Infrastructure	0.74	3.5	0.88	5.6	0.76	6.0	0.71	6.4	0.59	6.2
Investment Management	0.75	3.5	0.47	3.0	0.32	2.5	–	–	–	–
ITF Suisse	0.21	1.0	–	–	–	–	–	–	–	–
D-Marketing	0.12	0.6	0.18	1.0	0.22	1.7	0.34	3.0	0.42	4.4
Total	**21.16**	**100.0**	**15.77**	**100.0**	**12.71**	**100.0**	**11.11**	**100.0**	**9.59**	**100.0**

€/US$ reference rate published by ECB (31 Dec)	1.4721	1.3170	1.1797	1.3621	1.2630

5.4.4.3 Portfolio analysis by earnings contribution

We have analysed earnings by comparing the development of the Transport Finance portfolios in the years 2007 and 2006. We have broken down the portfolio into total and new commitments, which we have then differentiated 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 an environment that was challenging, DVB generated a significant amount of long-term, collateralised ***new business:*** Shipping contributed €5.08 billion (+27.9%), and Aviation €1.45 billion (+14.3%). New Land Transport business also posted an increase, up 7.5% to €0.43 billion (2006: €0.40 billion).

DVB continued to play a ***leading role*** frequently – the share of transactions led by the Bank in the overall portfolio remained unchanged at 69.4%. The leading role share of new commitments was 67.0%.

The *average interest margin* of 136 bp for new business was lower than in the previous year (148 bp). Interest margins contracted in Aviation (down 32 bp to 159 bp) and Land Transport (down 23 bp to 114 bp), whilst the interest margins in Shipping Finance rose slightly, by 2 bp to 137 bp.

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. After a deterioration in 2006, the ratio improved again in the business year under review, with a 2.4 percentage point LtV decline, to 66.5%, for the overall portfolio; average LtV in the Shipping Finance portfolio was 2.8 percentage points lower, at 60.1%.

The *CIR* in Transport Finance decreased from 25.3% to 22.7%. Whilst Aviation posted slight increases and Land Transport remained unchanged at its previous year's level, Shipping (down 3.6 percentage points to 23.4%) and Investment Management (–15.5 pp, to 29.3%) succeeded in reducing CIR.

The *RoE* in Transport Finance increased by 5.9 percentage points, to 35.2% (2006: 29.3%).

It should be noted that these comparative indicators are determined excluding overheads; hence, they are not comparable to the ratio for the entire Bank.

The *result from operating activities before tax* for the Transport Finance business overall increased from €133.0 million to €186.7 million (40.4%).

Portfolio analysis by earnings contribution (€ mn)

	Shipping		Aviation		Land Transport		Transport Infrastructure		Investment Management		ITF Suisse		Total		
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	Changes %
Overall portfolio															
Customer lending	8,383.7	6,712.4	3,615.1	3,123.9	1,142.4	982.2	502.1	669.0	510.1	357.8	142.0	–	14,295.4	11,845.3	20.7
Loans and advances to customers	5,663.2	5,046.3	3,050.3	2,846.5	955.7	873.7	405.2	444.0	228.2	198.9	56.1	–	10,358.7	9,409.4	10.1
Loan commitments, guarantees and indemnities	2,720.5	1,666.1	564.8	277.4	186.7	108.5	96.9	225.0	281.9	158.9	85.9	–	3,936.7	2,435.9	61.6
Number of customers (primary obligor groups)	273	249	128	113	72	69	24	26	–	–	6	–	503	457	10
Leading role (%)	68	70	68	69	71	64	22	18	100	75	0	–	69.4	68.0	1.4pp
Average LtV ratio (%)	60.1	62.9	76.4	76.1	81.5	81.0	n.a.	52.5	n.a.	n.a.	52.3	–	66.5	68.9	–2.4pp
CIR (%)[1]	23.4	27.0	16.9	13.5	24.6	24.6	–	–	29.3	44.8	–	–	22.7	25.3	–2.6pp
RoE (%)[2]	29.4	25.4	36.9	28.9	13.1	20.8	–	–	209.9	125.0	–	–	35.2	29.3	5.9pp
Portfolio New commitments															
Number of new transactions	174	143	54	71	22	14	–	10	–	–	6	–	256	238	7.6
Underwritten	5,076.0	3,969.4	1,448.3	1,266.7	426.2	396.9	–	226.4	–	–	142	–	7,092.5	5,859.4	21.0
Syndicated to third parties	587.5	629.3	10.9	144.7	0.0	98.0	–	0.0	–	–	0	–	598	872.0	–31.4
Final take	4,488.5	3,340.1	1,437.4	1,122.0	426.2	298.9	–	226.4	–	–	142	–	6,494.1	4,987.4	30.2
Book building	399.1	273.6	226.6	238.0	0.0	0.0	–	0.0	–	–	0	–	626	511.6	22.3
Leading role (%)	67	65	67	83	65	55	–	9	–	–	0	–	67.0	67.0	0
Average margin (bp)	137	135	159	191	114	137	–	122	–	–	90	–	136	148	–12pp

1) Computed in accordance with IRFS – without allocating overhead expenses and before impairment losses on loans and advances.
2) Computed in accordance with IRFS – without allocating overhead expenses and after impairment losses on loans and advances, and before taxes.

5.5 Other disclosures

- Disclosure pursuant to section 315 (2) No. 4 of the HGB:
  The fundamental principles of the compensation of the Board of Managing Directors and Supervisory Board are as follows:

Remuneration of the Board of Managing Directors

The structure of emoluments of the Board of Managing Directors of DVB Bank AG is based on the Internal Regulations for the Executive Committee of the Supervisory Board, which in turn have been adopted by the Supervisory Board. Accordingly, the overall remuneration of the Board of Managing Directors is composed of a fixed component of 51.2% and a variable component of 48.8%. The variable component consists of a traditional bonus, as well as stock options as an additional variable component.

The *fixed component* of the remuneration of DVB Bank AG's Board of Managing Directors totalled €1,041,498.05 in 2007 (2006: €1,098,129.27).

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 return on equity and cost/income ratio for the relevant business year, and the other half refers to individual performance of each member of the Board of Managing Directors. The bonus for the current financial 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 €990,750.00 were distributed to the Board of Managing Directors in 2007 (2006: €1,015,750.00).

As an additional variable remuneration component providing a long-term incentive, members of the Board of Managing Directors received, between 2000 and 2004, an annual allocation of free options for the purchase of DVB shares within the framework of the "DVB shares" employee participation scheme. In this context, the Supervisory Board allocated a number of *free options* for the purchase of DVB shares at its discretion. The participation programme was limited in time, and ended in 2004. The options could only be exercised after a waiting period of three years (i.e. for the last time in 2007), and only on the condition that DVB's return on equity in the reference year has reached or exceeded a minimum threshold.

The Annual General Meeting in 2000 laid down this threshold for the respective reference year. The exercise price for each option corresponds to the unweighted average closing price of DVB Bank AG's shares on the Frankfurt Stock Exchange in respect of the first five days following expiry of the waiting period, less a discount which increases in proportion to the extent to which the relevant performance goal has been exceeded. The discount can amount to a maximum of 50%. The exercise price is, however, at least equal to the notional share of issued share capital that one share of DVB Bank AG represents.

In the 2007 business year, members of the Board of Managing Directors exercised a total of 2,150 options for the purchase of DVB Bank AG shares. Members of the Board of Managing Directors did not own any options to purchase shares of DVB Bank AG as at 31 December 2007.

Remuneration of the Supervisory Board

The members of the Supervisory Board receive annual remuneration (incl. taxes) of €107,220.00, pursuant to section 18 (2) sentences 3 and 4 of the Articles of Association. The members of the Credit Committee receive additional remuneration (incl. taxes) of €38,735.00, pursuant to section 18 (1) sentence 5 of the Articles of Association, resulting in a total remuneration of €145,955.00.

Please also refer to the information provided in the Notes, on pages 219 to 222 of this Annual Report.

- Disclosure pursuant to section 315 (4) No. 1 of the HGB:
  The subscribed capital exclusively comprises common bearer shares; specifically, 3,932,677 notional no-par value shares as at 31 December 2007. Please refer to sections 54 et. seq. of the AktG regarding the rights and duties attaching 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 93.30% stake in DVB Bank AG'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 6 (1) sentence 4 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 AG are resolved by the General Meeting.

- Disclosure pursuant to section 315 (4) No. 7 of the HGB:
  Pursuant to Article 4a 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 €30 million. 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 2007, DVB Bank AG is authorised to purchase and sell its own shares (treasury shares) for the purpose of securities trading. This authorisation will expire on 30 November 2008.

6. Report on material events after the reporting date

in accordance with section 315 (2) No. 1 of the HGB
(as at 18 March 2008)

A capital increase from conditional capital, in accordance with Article 4b of the Memorandum and Articles of Association, was registered with the Commercial Register at the Frankfurt/Main District Court *(Amtsgericht Frankfurt am Main)* on 13 February 2008. Please refer to the presentation of the economic situation ("Financial position – Funds raised via the 'DVB shares' employee share ownership programme") on pages 90–92.

Effective 21 February 2008, DVB transferred responsibility for lending exposures which had been assigned to the 'D-Marketing' segment to the Land Transport credit department. The portfolio, comprising exposures which are no longer in line with DVB's strategy, or no longer matched the Bank's size and return requirements, was reduced from an original level of €780 million to a residual level of €50 million.

The Board of Managing Directors and Supervisory Board will propose to DVB Bank AG's Annual General Meeting, which will be held on 11 June 2008, to pay an increased dividend of €5.00 per notional no-par value share for the 2007 business year (2006: €3.00 per share).

The Bank plans to merge DVB Bank N.V., Rotterdam, Netherlands, into DVB Bank AG, Frankfurt/Main, to form DVB Bank SE.

There were no other issues of material importance to the assessment of the income and financial situation of DVB Bank AG and the DVB Group after the end of the 2007 business year. Statements made in the "Report on expected developments" have been confirmed by the development of business in the first months of the 2008 business year.

7. Risk report

in accordance with section 315 (2) no. 2a and b of the HGB
(as at 18 March 2008)

Abbreviations Risk Report

ALCO	*Asset Liability Committee*
BaFin	*German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)*
DZ BANK	*DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main*
GRM	*Group Risk Management*
IRM	*Internal rating model*
KWG	*German Banking Act (Kreditwesengesetz)*
LtV ratio	*Loan-to-value ratio*
MaRisk	*Minimum Requirements for Risk Management in Banks*
OASIS	*Object Finance Administration and Security Information System*
OpRisk	*Operational risk*
VaR	*Value at risk*
VaR Cdty	*Commodity risk*
VaR FX	*Foreign exchange risk*
VaR IR	*Interest rate risk*

In addition to applicable provisions of the German Commercial Code, the risk report contains the qualitative and quantitative risk disclosures as required under IFRS 7, including impairment losses on loans and advances. Contractual maturities are analysed in the Notes to the Consolidated Financial Statements.

7.1 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 Group'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 companies of the DVB Group. In this context of risk management, we differentiate between credit risk, operational risk, market price risk, strategic risk, as well as liquidity and equity investment risk.

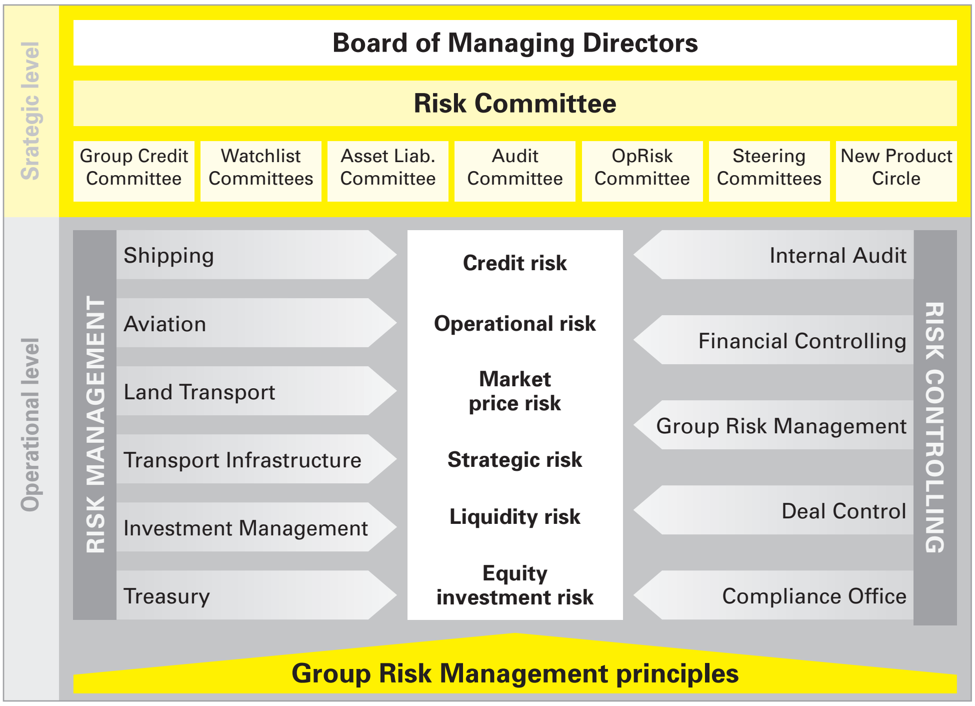
The risk policy guidelines and structures for the professional management of these risks are laid down in our risk management framework, which forms the basis for uniform administration and communication of all material types of risk throughout the Group.

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 AG, as the parent company of the 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.

7.2 Organisation of the risk management process

The DVB Group operates a Group-wide risk management system, which complies with all statutory (section 25a (1) of the KWG; section 91 (2) of the AktG) and regulatory requirements (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 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.

The *Risk Committee,* comprising the member of the Board of Managing Directors responsible for risk management, together with the heads of Group Risk Management, Group Controlling, Group Accounting and Taxes, and Group Treasury, acts as a forum for the discussion of all the main strategic and methodical issues with regard to the Bank's overall risk exposure. Its duties also include the derivation of the economic capital within the scope of the Bank's capacity to carry and sustain risks, as well as the allocation of risk capital to the business units.

Within the *Group Credit Committee,* which comprises the entire Board of Managing Directors and the heads of Credit and Industry units, the entire Board of Managing Directors decides on DVB's individual loan exposures that do not exceed 12.5% of the Bank's liable capital, provided that the unsecured portion of an exposure does not exceed €30 million. The approval of the Supervisory Board Credit Committee is required additionally for exposures exceeding these thresholds. Credit approval decisions are taken jointly by the heads of credit departments and industry sectors, based on DVB's applicable lending policies and within the framework of loan approval authorities for the relevant industry sector, rating level, and amount.

Watchlist Committees, comprising the members of the Board of Managing Directors responsible for risk management and the respective industry, together with the responsible head of credit, have been established for each industry sector. These committees monitor exposures that are subject to higher potential or actual risks, making decisions as required.

The *Asset Liability Committee,* comprising the members of the Board of Managing Directors responsible for risk management and asset/liability management, plus the heads of Group Treasury, Group Risk Management, Group Accounting and Taxes, and Group Controlling, decides on key elements of interest rate strategy and on asset/liability positions, and also on the Bank's liquidity management.

The *Audit Committee,* comprising the responsible member of the Board of Managing Directors and the heads of Group Audit, Group Risk Management and Operations, co-ordinates internal auditing operations, approves short- and medium-term audit planning and decides on the type and extent of special audits.

The *OpRisk Committee* consists of the member of the Board of Managing Directors responsible for risk management and the heads of Group Risk Management, Group Human Resources, Operations and Group Audit. In addition to co-ordinating the operational risk process, the committee regularly supports the management of these risks, reviews the established OpRisk framework, and uses audit and operational risk reports to monitor and assess the development of these risks.

Steering Committees, comprising members of the Board of Managing Directors, plus representatives of departments involved in a project, manage and monitor project progress; they are responsible for the successful and scheduled implementation of a project, within budget.

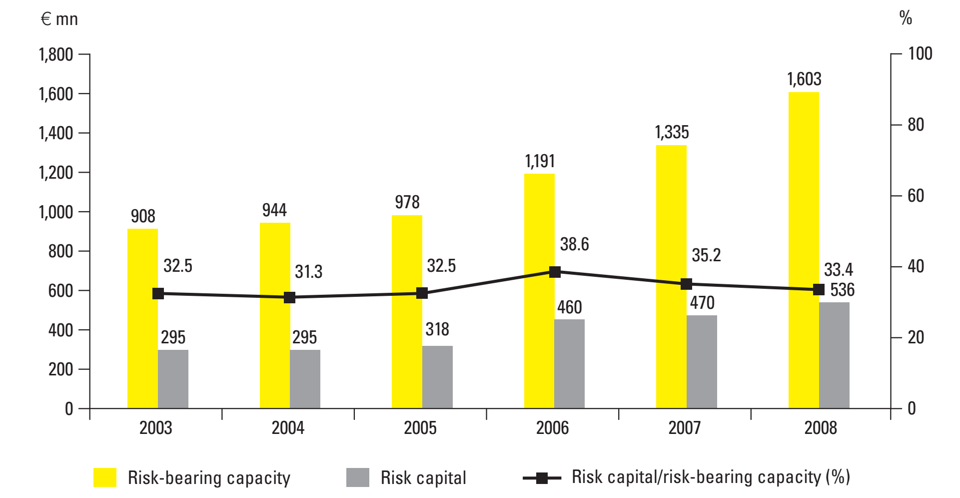
The *New Product Circle* (comprising the heads of service units) analyses and discusses the framework within which DVB may offer new products to its clients, or explore new markets or market segments.

7.3 Capacity to carry and sustain risk/risk capital

DVB Group's economic risk-bearing potential is determined on an annual basis within the scope of the analysis of the Bank's capability to carry and sustain risk. 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 income 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 six years:

Risk-bearing potential



The increase in aggregate risk cover for 2007 and 2008 was mainly due to the retention of profit in the relevant previous year, together with an increase in budgeted net profit.

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 we are willing to invest over one year. Risk capital must be sufficiently high to cover aggregate unexpected ('worst-case') losses, given a 99.9% probability (which will rise to 99.95% for 2008).

The risk capital for 2008 was set at a level of €536 million (2007: €470 million), taking into account correlation effects. Risk capital is distributed across individual types of risk as follows:

€ mn	2008	2007		
	Risk capital limit	Risk capital limit	Amount utilised year-end	Average utilisation
Credit risk	430	430	330	348
Market price risk	90	21	10	9
Operational risk	40	32	30	30
Strategic risk	40	30	25	25
Correlation risk	–64	–43	–37	–37
Total	**536**	**470**	**358**	**375**

The significant increase in the risk capital limit allocated for market price risk does not reflect any planned expansion in the underlying business activities, but is solely attributable to a change in methodologies used within the DZ BANK Group (including an increase in the confidence interval).

When determining the level of risk capital, we consider correlation effects deduced from empirical market data, taking into account correlations among the various types of risk, and regarding credit risks amongst the main credit portfolios. We also considered additional stress tests in determining risk capital levels, to safeguard the continued existence of the DVB Group even in an extremely unfavourable market environment.

We use internal models to measure credit and market price 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.

7.4 Types of risk

The following types of risk are relevant to DVB Group's business:

7.4.1 Credit risk

We define credit risk, which comprises default, issuer, counterparty and country risks, as potential losses arising from an unexpected default or deterioration in our counterparties' credit quality. Given the focus and structure of our 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, we allocate the volume of risk capital approved by the Board of Managing Directors to the various business divisions.

Determining and managing country risks is crucial in view of the international emphasis of our asset lending business. Hence we plan and limit country risks within the scope of the overall management of the Bank, and in accordance with the annual country limit planning system of DZ BANK Group.

7.4.1.1 Internal rating model (IRM)

Given the dominant position of credit risk in DVB's business, we have developed an internal statistical and mathematical rating model (IRM) for our 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, we determine 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), whereby we can establish the anticipated realisation proceeds by means of our 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 us 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 our 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, we also utilise the expertise of our market specialists in assessing specific collateral.

BaFin approved our application for approval to implement the IRBA (Internal Ratings Based Advanced Approach) for our rating systems covering the Aviation and Shipping portfolios in February 2008 (following an audit by Deutsche Bundesbank, which was instructed to deal with the Bank's application). Approval to implement was thus given effective 1 January 2008.

Also in February 2007, we rolled out the IRM for our Land Transport portfolio into production, following an audit by BaFin/Deutsche Bundesbank in the autumn of 2007. We assume that we will be granted approval to implement the IRBA for this portfolio too, and thus assume being able to calculate the capital adequacy requirements for more than 80% of DVB Group's aggregate risk-weighted assets using the Advanced Approach as from January 2008. The gradual implementation for the remaining, smaller loan portfolios is scheduled for completion by the end of 2009.

To ensure model adequacy, we conduct an annual review to validate the risk parameters PD and LGD both quantitatively and qualitatively. We also carry out separate concentration risk analyses with respect to primary obligor groups and asset classes: the purpose of this exercise is to ensure that the level of credit portfolio diversification assumed within the framework of Basel II is still valid, given DVB Group's Transport Finance focus.

Our 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.

Over the medium term, we plan to expand our IRM into an integrated portfolio-based concept, which will also take diversification effects into account.

7.4.1.2 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 of the Group's overall portfolio (reporting pursuant to the requirements of MaRisk). On a divisional level, each Transport Finance segment is 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 our 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 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.

7.4.1.3 Structural analysis of the credit portfolio

In line with DVB's internal management processes, lending volumes are broken down by business types 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 – the gross lending volume, which is based on nominal amounts for loans and pending commitments, and on market values for investment securities and derivatives. The maximum credit risk amount includes all credit facilities committed vis-à-vis 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:

€ mn	Loans, commitments and other non-derivative off-balance sheet assets		Securities		Derivative financial instruments	
	31 Dec 2007	31 Dec 2006	**31 Dec 2007**	31 Dec 2006	**31 Dec 2007**	31 Dec 2006
Shipping	8,361.5	6,709.7	0.0	0.0	22.2	2.7
Aviation	3,611.8	3,119.0	3.3	4.9	0.0	0.0
Land Transport	1,136.2	973.8	0.0	0.0	6.2	8.4
Investment Management	509.9	357.7	0.0	0.0	0.2	0.1
Other	2,701.3	1,449.4	109.9	115.1	219.0	251.4
Total	**16,320.7**	**12,609.7**	**113.3**	**120.0**	**247.6**	**262.6**

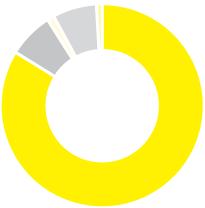
The 'Other' item reflects the aggregate of Treasury and ITF Suisse, plus the D-Marketing and Transport Infrastructure portfolios, which are no longer in line with the Bank's strategy (cf. section 7.4.1.5 for details).

Taking the maximum credit risk exposure as a basis, the following section provides an overview of the structure of our Transport Finance portfolios, together with collateralisation developments.

Our *Shipping portfolio* once again developed very favourably during the business year under review. The portfolio, which is largely denominated in US-dollar (80.1%), grew by 24.9% to €8.4 billion. The US-dollar weakened considerably during the course of the year, losing 11.8% against the euro. Adjusting for exchange rate movements, the growth rate was therefore 37.2%.

92.3% of the portfolio is secured by mortgages on ships. Loans with a maximum LtV ratio of 60% account for a share of €7.1 billion.

Shipping portfolio – LtV classes



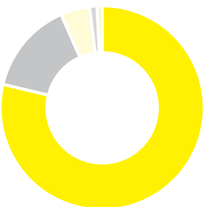
The table below illustrates the collateralisation structure of our Shipping portfolio:

Collateralisation (€ mn)	**31 Dec 2007**		31 Dec 2006	
Secured by mortgages	7,737.7	92.3%	6,247.7	93.1%
Other collateral	583.2	7.0%	417.9	6.2%
Uncollateralised	62.8	0.7%	46.8	0.7%
Lending volume	**8,383.7**	**100.0%**	**6,712.4**	**100.0%**

The adjacent chart provides a breakdown of exposures secured by mortgages, by LtV range (loan amounts have been allocated to LtV classes proportionately).

We were successful in further expanding our business during the year under review, in a commercial aviation environment that showed continued improvement over previous years. Our ***Aviation portfolio*** stood at €3.6 billion at the end of 2007, up 15.7% on the previous year. As this portfolio is also predominantly in US-dollar (97.7%), the currency-adjusted growth rate was higher, at 29.1%.

Aviation portfolio – LtV classes



The table below illustrates the collateralisation structure of our Aviation portfolio:

Collateralisation (€ mn)	**31 Dec 2007**		31 Dec 2006	
Secured by mortgages	3,602.5	99.6%	3,102.3	99.3%
Other collateral	10.6	0.3%	17.8	0.6%
Uncollateralised	2.0	0.1%	3.8	0.1%
Lending volume	**3,615.1**	**100.0%**	**3,123.9**	**100.0%**

With 99.6% of the lending volume secured by mortgages, the Aviation portfolio also reflects the strict enforcement of our conservative lending policy. Lending volume of €2.9 billion has an LtV ratio not exceeding 60% (loan amounts have been allocated to LtV classes proportionately).

The *Land Transport portfolio* grew by 16.3% over the previous year, to €1,142.4 million. Adjusting for exchange rate movements, the growth rate was 19.7%.

The table below illustrates the collateralisation structure of our Land Transport portfolio:

Collateralisation (€ mn)	31 Dec 2007		31 Dec 2006	
Secured by mortgages	1,061.3	92.9%	894.7	91.1%
Other collateral	18.7	1.6%	47.3	4.8%
Uncollateralised	62.4	5.5%	40.2	4.1%
Lending volume	**1,142.4**	**100.0%**	**982.2**	**100.0%**

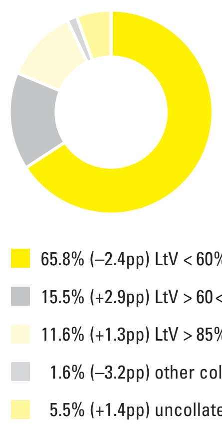
New business acquired in 2007 helped to boost the share of business secured by mortgages, by 1.8%. A total lending volume of €752 million (2007: €670 million) had an LtV ratio not exceeding 60% (loan amounts have been allocated to LtV classes proportionately).

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's business is geared towards participating in non-complex transactions fulfilling strict lending policy requirements. DVB has thus extended the scope of its business to include non-complex transport finance exposures.

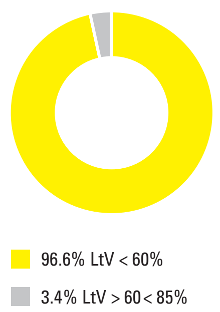
The restrictive business approach chosen is also clearly reflected in the collateralisation structure and LtV distribution of ITF Suisse's portfolio:

Collateralisation (€ mn)	31 Dec 2007	
Secured by mortgages	142.0	100.0%
Other collateral	0	0.0%
Uncollateralised	0	0.0%
Lending volume	**142.0**	**100.0%**

Land Transport portfolio – LtV classes



ITF Suisse portfolio – LtV classes



7.4.1.4 Country risk exposure within customer lending

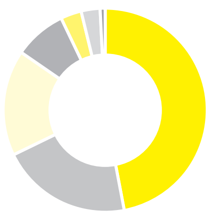
Country risk is defined as the risk that DVB suffers loan losses or other monetary losses in a particular country, as a result of social/political and/or macro-economic developments or events. This comprises risk traditionally associated with the concept of country risk (conversion and transfer risk,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

We mitigate 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 our portfolio was largely unchanged compared to 2006. Our Transport Finance exposure continues to be concentrated in Europe, North America and Asia. The percentage decline in our North American business is attributable to the weakness of the US-dollar, as well as to the fact that redemptions of the loan portfolio outweighed new Aviation business. 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 0.4% of the overall Transport Finance portfolio.

Country risks in the Transport Finance portfolio



Europe	47.3%	(–1.7pp)
Asia	20.8%	(+1.7pp)
North America	16.8%	(–2.4pp)
Offshore	8.3%	(+2.9pp)
Middle East/Africa	3.3%	(–0.4pp)
South America	3.0%	(+0.3pp)
Australia/New Zealand	0.5%	(–0.4pp)

7.4.1.5 Continued reduction of loan exposures that are no longer in line with our 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 24.9% during the financial year under review, to €502 million.

Collateral for all of our infrastructure finance projects includes an assignment of operating concessions. Allowance for impairment losses for this portfolio was increased by €2.2 million in 2007 (additions amounted to €3.2 million and €1.0 million was released), to €8.4 million at year-end.

Lending exposures bundled in the so-called *D-Marketing* unit, which also no longer meet DVB's requirements, were once again reduced by a significant margin, down 40% from €134 million to €80 million at the end of 2007. Allowance for impairment losses for this portfolio was increased by €3.2 million in 2007 (additions amounted to €5.9 million and €2.7 million was released). Charge-offs on loan loss provisioning amounted to €24.0 million, so that the aggregate allowance for impairment losses on loans and advances for this portfolio stood at €24.7 million at year-end. We continue to expect the total allowance for impairment losses for this part of our portfolio to be adequate.

7.4.1.6 Early warning system, problem loans, impairment losses

We use a diversified set of tools for the early recognition, monitoring and management of sub-performing or non-performing loans. Our watchlist procedures ensure that these loans are identified at an early stage, and that such exposure is 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 loan loss provisions required.

Non-performing loans (NPL) amounted to an aggregate nominal value of €65.1 million (2006: €140.1 million). This equates to an NPL ratio of 0.4% (2006: 1.1%) in relation to total lending volume. The volume of NPLs is offset by collateral with a market value of €33.3 million (2006: €104 million), and covered by adequate value adjustments.

The following table indicates the ***non-impaired, non-overdue lending volume*** as a portion of the overall portfolio:

€ mn	Total portfolio		Non-impaired, non-overdue portfolio	
	2007	2006	**2007**	2006
Shipping	8,383.7	6,712.4	8,261.0	6,632.7
Aviation	3,615.1	3,123.9	3,471.4	2,933.1
Land Transport	1,142.4	982.2	1,102.1	977.9
Investment Management	510.1	357.8	510.1	357.8
Other	3,030.2	1,816.0	2,957.1	1,737.8
Total	**16,681.5**	**12,992.3**	**16,301.7**	**12,639.3**

The portfolio is dominated by lending volume with impeccable credit quality, at a level that was virtually unchanged from the previous year (2007: 97.7%; 2006: 97.3%).

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

2007 (€ mn)	Overdue, non-impairment lending volume				Fair Value of collateral for overdue, non-impairment lending volume
	Up to 30 days past due	> 30 days, up to 60 days past due	> 60 days, up to 90 days past due	More than 90 days past due	
Shipping	0.0	0.0	0.0	0.0	0.0
Aviation	21.5	0.0	0.0	0.2	15.7
Land Transport	34.0	0.0	0.0	0.0	12.7
Investment Management	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Total	**55.5**	**0.0**	**0.0**	**0.2**	**28.4**

2006 (€ mn)	Overdue, non-impairment lending volume				Fair Value of collateral for overdue, non-impairment lending volume
	Up to 30 days past due	> 30 days, up to 60 days past due	> 60 days, up to 90 days past due	More than 90 days past due	
Shipping	0.0	0.0	0.0	0.0	0.0
Aviation	0.0	0.0	0.0	12.2	5.2
Land Transport	0.0	0.0	0.0	0.0	0.0
Investment Management	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**12.2**	**5.2**

Any interest and principal payments which were overdue by up to 30 days on 31 December 2007 were subsequently made.

There were no ***renegotiated exposures*** as defined in IFRS 7 (defined as assets that would otherwise be past due or impaired, but whose terms have been renegotiated) during the year under review (2006: nil).

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

2007 (€ mn)	Amount before impairment	Individual impairments	Amount after impairment	Fair Value of collateral for impairment lending volume
Shipping	122.7	19.8	102.9	101.3
Aviation	122.0	48.2	73.8	53.5
Land Transport	6.2	3.5	2.8	0.0
Investment Management	0.0	0.0	0.0	0.0
Other	73.2	33.7	39.5	37.3
Total	**324.1**	**105.2**	**218.9**	**192.1**

2006 (€ mn)	Amount before impairment	Individual impairments	Amount after impairment	Fair Value of collateral for impairment lending volume
Shipping	79.7	12.1	67.7	58.2
Aviation	181.6	57.1	124.5	79.6
Land Transport	4.3	2.0	2.3	1.2
Investment Management	0.0	0.0	0.0	0.0
Other	78.2	52.5	25.7	24.7
Total	**343.8**	**123.7**	**220.1**	**163.7**

87.8% (2006: 74.4%) of the impaired portfolio is duly collateralised.

Collateral acquired within the scope of restructuring is of minor importance; during the year under review, this was reduced by €4.45 million to €2.25 million.

The following tables illustrate the development of *impairment losses on loans and advances:*

Allowance for losses on loans and advances (€ mn)	31 Dec 2006	Additions	Utilisation	Reversals	Changes resulting from exchange rate fluctuations, and other adjustments	**31 Dec 2007**
Shipping	12.1	9.8	0.0	1.5	–0.6	19.8
Aviation	57.1	16.7	5.9	14.3	–5.4	48.2
Land Transport	2.0	3.5	1.6	0.5	0.1	3.5
Investment Management	0.0	0.0	0.0	0.0	0.0	0.0
Other	52.5	9.7	24.3	4.0	–0.2	33.7
Total individual impairments	**123.7**	**39.7**	**31.8**	**20.3**	**–6.1**	**105.2**
Portfolio impairments	7.0	1.2	0.0	0.2	0.0	8.0
of which: Aviation	2.8	0.9	0.0	0.0	0.0	3.7
Land Transport	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 impairments	**130.7**	**40.9**	**31.8**	**20.5**	**–6.1**	**113.2**

Allowance for losses on loans and advances (€ mn)	31 Dec 2005	Additions	Utilisation	Reversals	Changes resulting from exchange rate fluctuations, and other adjustments	**31 Dec 2006**
Shipping	4.7	7.9	0.0	0.0	–0.5	12.1
Aviation	51.9	20.6	2.3	8.3	–4.8	57.1
Land Transport	3.3	0.0	1.2	0.0	–0.1	2.0
Investment Management	0.0	0.0	0.0	0.0	0.0	0.0
Other	55.1	9.2	10.4	1.4	–0.1	52.5
Total individual impairments	**115.0**	**37.7**	**13.9**	**9.7**	**–5.5**	**123.7**
Portfolio impairments	5.9	3.0	0.0	1.9	0.0	7.0
of which: Aviation	0.0	2.8	0.0	0.0	0.0	2.8
Land Transport	0.0	0.0	0.0	0.0	0.0	0.0
Other	5.9	0.2	0.0	1.9	0.0	4.2
Total impairments	**120.9**	**40.7**	**13.9**	**11.6**	**–5.5**	**130.7**

The 'Other' item predominantly reflects aggregate impairment losses on loans and advances in the D-Marketing and Transport Infrastructure portfolios, which are no longer in line with the Bank's strategy (cf. section 7.4.1.5 for details).

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:

€ mn	31 Dec 2006	Additions	Utilisation	Reversals	Changes resulting from exchange rate fluctuations, and other adjustments	**31 Dec 2007**
Shipping	0.1	0.1	0.0	0.0	0.0	0.2
Aviation	0.0	0.0	0.0	0.0	0.0	0.0
Land Transport	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
Other	0.7	0.1	0.0	0.6	0.0	0.2
Total	**0.8**	**0.2**	**0.0**	**0.6**	**0.0**	**0.4**

€ mn	31 Dec 2005	Additions	Utilisation	Reversals	Changes resulting from exchange rate fluctuations, and other adjustments	**31 Dec 2006**
Shipping	0.3	0.0	0.0	0.1	0.0	0.2
Aviation	0.0	0.0	0.0	0.0	0.0	0.0
Land Transport	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
Other	1.4	0.0	0.0	0.8	0.0	0.6
Total	**1.7**	**0.0**	**0.0**	**0.9**	**0.0**	**0.8**

7.4.2 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, we consider the so-called Basic Indicator Approach set out by Basel II as appropriate. Given that we do not posses, in common with many other banks, the historical volume of data required for a well-founded statistical observation, we will not implement the Advanced Approach.

DVB already implemented the organisational infrastructure and framework to measure and manage operational risk, as required under the Basic Indicator Approach, back in 2003. 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 we have 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. We also apply 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. We recorded a total of 51 (2006: 14) loss cases with aggregate damages of €50,000 (2006: €344,000) during the year under review. DVB focuses on preventing risks arising from contractual documentation in particular. Given the international scope of DVB's business, the drafting of credit documentation frequently involves complex legal issues. To minimise the legal risks involved, such documentation is generally drafted (or verified) by experienced, internationally recognised law firms.

7.4.3 Market price risk

We define market price risk as the potential loss that could be incurred on our 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. We use a consistent VaR method for calculating the market risk in our banking and trading books. 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 following tables illustrate the VaR exposures in the banking and trading books:

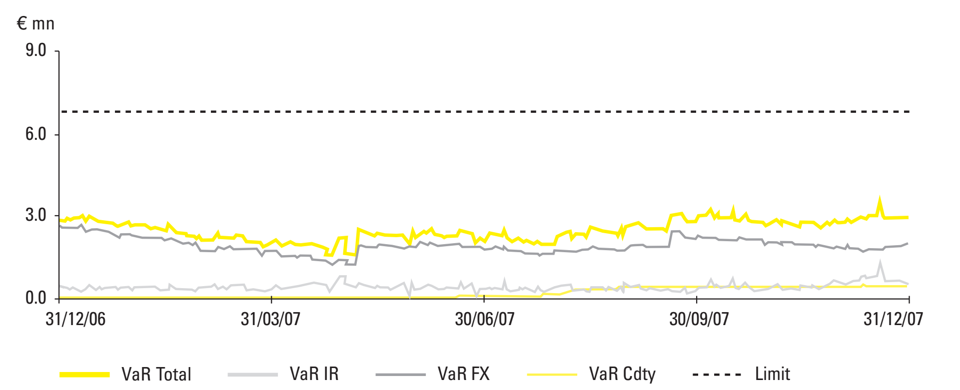
Banking book (€ mn)	VaR		Average		Maximum		Minimum	
	31 Dec 2007	31 Dec 2006	**2007**	2006	**2007**	2006	**2007**	2006
Foreign exchange risk	2.0	2.3	2.0	2.2	2.7	3.4	1.4	0.9
Interest rate risk	0.5	0.3	0.3	0.4	1.2	0.7	0.1	0.2
Other price risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**2.5**	**2.6**	**2.4**	**2.6**	**3.9**	**4.1**	**1.5**	**1.1**

Trading book (€ mn)	VaR		Average		Maximum		Minimum	
	31 Dec 2007	31 Dec 2006	**2007**	2006	**2007**	2006	**2007**	2006
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0
Interest rate risk	0.0	0.0	0.0	0.1	0.0	0.9	0.0	0.0
Other price risk	0.3	0.0	0.1	0.0	0.4	0.0	0.0	0.0
Total	**0.3**	**0.0**	**0.1**	**0.1**	**0.4**	**1.2**	**0.0**	**0.0**

VaR exposure remained clearly within the allocated limits, both in the 2007 business year and in the previous year.

The chart below illustrates utilisation of market price risk limits during 2007:

Market risk



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 rise in FX value-at-risk in May and September 2007 reflects the hedging of anticipated US-dollar surpluses for the first four and the last four months of 2008, respectively. The increase in equity and commodity value-at-risk during the second half of the year was due exclusively to the introduction of calculating market risk exposure on treasury shares held. In December 2007, higher interest rate volatility induced a temporary increase in interest rate VaR.

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 interval), we also determine VaR based on a one-year holding period and a confidence interval of 99.9% (effective 2008: 99.95%); the results are compared to risk capital and taken into account when determining usage of aggregate risk capital. In addition, we subject our 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. We also used the results of monthly stress testing as a parameter when determining market risk limits for 2008.

7.4.4 Strategic risk

We define strategic risk as the potential decrease in our enterprise value that could arise from our strategic positioning in a constantly changing environment comprising market, clients, competitors, political and legal frameworks.

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 2007 business year, strategic risks were measured using a moving average of operating income volatility, using a 99.9% confidence interval. The confidence interval will be raised to 99.95% in 2008, with a corresponding limit adjustment.

7.4.5 Liquidity risk

Our 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.

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

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.

To counter any potential liquidity bottlenecks as a result of the crisis affecting financial markets (triggered by the US sub-prime crisis), the ALCO decided to cover full liquidity requirements for the remainder of 2007 already in August 2007.

Moreover, a US$-denominated bond was issued in December 2007 to cover the full funding requirements for the first quarter of 2008, again at an early stage.

Thanks to these farsighted funding measures, the Group's liquidity was always ensured throughout the crisis. The Liquidity Principle according to the German Banking Act was consistently adhered to during 2007.

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.

From a liquidity perspective, the base cases simulated during the first two months of 2008 did not indicate any need for action. If necessary, any gaps detected through stress tests can be filled by setting restrictions on planned new business.

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

7.4.6 Equity investment risk

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

7.5 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. We will continue to refine the risk management process during 2007, in relation to the methodology, the tools and process used, to ensure compliance with the regulatory framework as well as with the commercial requirements of modern bank management, focused on risk and returns.

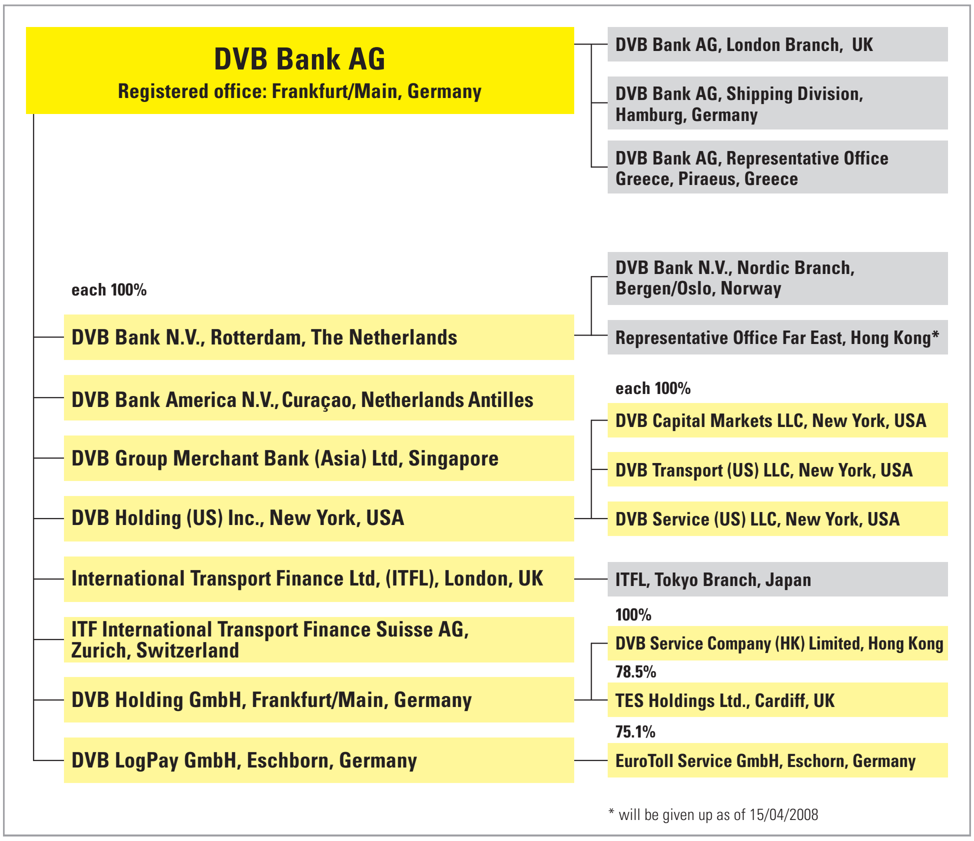
Looking ahead on 2008, we will focus on upgrading the IRM to cover the remaining, smaller credit portfolios, on preparations for the supervisory review process (second pillar of the Basel II framework) as well as on the disclosure requirements (pillar 3). Even though our affiliation to the DZ BANK Group exempts us from the disclosure duties under the German Solvability Ordinance, we will disclose the relevant information on a voluntary basis.

DVB's business remained within the Bank's economic risk-bearing capacity throughout 2007, with regard to the utilisation of risk capital. There were no breaches of the risk capital limits allocated to different types of risk within the framework of the concept to manage the Bank's ability to carry and sustain risk. We are confident that this compliance will also prevail throughout the 2008 business year.

8. Report on branches and subsidiaries

in accordance with section 289 (2) no. 4 of the HGB
(as at 18 March 2008)

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



ITF International Transport Finance Suisse AG, a wholly-owned subsidiary of DVB Bank AG domiciled in Zurich, Switzerland, was established in May 2007. The company commenced operations in August 2007; it enters into sub-participations in syndicated interbank financings.

Furthermore, DVB acquired a majority shareholding in TES Aviation Services Limited, Cardiff, United Kingdom, on 16 July 2007. The company provides a range of commercial and technical services to owners and users of aircraft engines, as well as advisory services to aviation finance providers.

Furthermore 19 special purpose entities were fully consolidated in accordance with IAS 27.4 in conjunction with SIC 12.

9. 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 18 March 2008)

Pursuant to sections 15 and 18 of the AktG, DVB Bank AG is affiliated to DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main, and its Group companies. As at 31 December 2007, DVB Bank AG 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 any transaction, and the company did not suffer any disadvantage as a result of actions taken or omitted, in line with circumstances prevailing at the time such transactions were entered into, of which we were aware at the time."

10. Report on expected developments 2008/2009

in accordance with section 315 (1) sentence 5 of the HGB
(as at 18 March 2008)

The report on expected developments consists of our assessment of potential trends in Transport Finance and Treasury during 2008 and 2009, together with a projection of the financial condition and results of operations of DVB Group.

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

We would like to point out that the assessments and forecasts contained herein will always be subject to the risk of erroneous perception or judgement errors, and may thus turn out to be incorrect. By their very nature, any deliberations regarding developments or events in the future are based on conjecture, rather than on precise predictions. Future developments may indeed diverge from expectations, not least as a result of fluctuations in capital market prices, exchange rates, or interest rates; or due to fundamental changes in the economic environment.

Although we believe the forward-looking statements to be realistic, due to the reasons discussed above we cannot accept any responsibility that they will actually materialise. We do not intend to update any of the forward-looking statements made in this report.

The overall outlook for international transport markets for 2008 and 2009 is an extension of our views expressed in the annual report for 2006. It is worth noting that these views were confirmed by actual market developments to a very large extent.

10.1 Shipping

10.1.1 Shipping – Markets

In maritime shipping, the Asian economies – China in particular, with India growing in importance – will continue to drive demand. Sustained economic growth in North America and Europe strengthened demand for goods imported from Asia over recent years. Container shipping saw immediate benefits from this trend, which also accelerated industrial production in the Asian region – boosting demand for commodities which, in turn, helped the bulk and tanker markets. Container shipping on the routes from Asia would be hit harder than bulk and tanker trades by any decline in import demand from the US and Europe, in the event of economic weakening. That said, one may expect that lower capacity utilisation in the Asian export sector will be (at least partially) compensated by increased production aiming at domestic demand, as large sections of the Asian consumer population have become more prosperous in the past years, strengthening consumption. Assuming that this shift from export growth to domestic consumption will materialise, bolstering industrial production, strong demand for commodities will be sustained. It is worth considering that the performance of shipping markets over recent years has triggered a wave of new orders: in those shipping sectors which will be affected by imminent deliveries of new-built ships on a large scale, a short-term divergence of supply and demand can be expected. As seen in earlier shipping cycles, these sectors would first witness falling freight and charter rates, which in turn would diminish new orders and lower vessel values.

10.1.2 Shipping – Portfolio

2007 saw continued growth in the shipping market but the market also showed signs of slowing down towards the end of the year. Is this a sign of things to come?

DVB's activity during 2007 remained again comfortably above historic averages, and in general shipping companies continued to deliver strong results. In 2006, we were expecting the market to slow down, but this did not happen due to the influences of growth in Asia – in particular the growth of China's economy. However, the impact was felt in 2007, due to the global economy slowing down and the credit crunch crisis in the West. The International Monetary Fund has predicted that world growth in 2008 is going to slow down to 4.1% compared to world growth of 4.9% in 2007 and 5% in 2006. If we look at China's growth, the International Monetary Fund estimates growth at 10% for 2008, whereas in 2007 growth was at 11.4% and in 2006 11.1%. This global slowdown will inevitably impact the shipping markets. (All figures quoted by the International Monetary Fund are as of February 2008.)

As we predicted in the 2006 Annual Report, market demand did slow towards the end of 2007, since some of the massive influx of vessels that were on order were delivered. This led to rates for vessels coming down somewhat. Historically, when rates have come down, a fall in vessel prices has not been too far behind. The real impact of the new tonnage will be felt during the course of 2008/9 and 2010 when there will be a surplus of vessels across the industry. This is when we will start to see supply outstripping demand, and the market will tighten up even further with ship owners and banks feeling the impact. During 2007, several top ship finance houses stopped their new production on the basis of managing their portfolios and taking a more cautious approach to the market. In 2008, we may see this trend continue somewhat. During 2007, however, DVB continued to focus on the sectors where it has enjoyed success, as well as providing industry expertise and additional opportunities through its investment management activities, thereby keeping ahead of its competitors and showing no signs of slowing down.

Despite the looming global slowdown, DVB remains upbeat about the opportunities ahead. We have continued to enjoy success in our three existing specialist teams – Container Box Group, Cruise & Ferry Group and the Floating Production Group. We believe that our strategy in splitting the remainder of the portfolio into seven sector groups will enable us to successfully navigate the changing market. This strategy will also allow us to continue to maintain a strong relationship with shipping companies throughout these sector groups.

DVB's portfolio continues to remain satisfactorily diverse in terms of asset types and geography, and will continue to be closely monitored. In 2008, the main themes in DVB's structured asset finance proposals to shipping clients will be centred around Tonnage Tax-based solutions, Vessel Put Options and US lease structures. 2008 will continue to pose interesting challenges in the shipping market: DVB, as usual, will be prepared to meet them.

10.2 Aviation

10.2.1 Aviation – Markets

Commercial aviation enjoyed a good year in 2007 in terms of industry growth, airline financial results, and number of new aircraft ordered. Maybe as a reaction to this, industry players were getting worried about the ability of the industry to maintain such a comfortable position. Although some industry experts believe that industry diversification – both by business model as well as by geographical area – will have a stabilising effect, most observers believe the industry to remain a cyclical one.

For 2008/2009 a reduction in short-term demand for air travel in mature markets, slower growth in others and the increasing impact of high fuel prices represent potential risks. Over the last three years, airlines and lessors have ordered unprecedented volumes of new aircraft, inspired by economic growth, a more liberal trading environment, the development of new "low cost" business models and an abundant supply of funding sources.

It remains to be seen if all of the second and third wave LCC start-ups that placed mega-orders for new aircraft can repeat the results of the established first generation LCC's. Already towards the end of 2007, signs were emerging that some orders had been placed under very optimistic assumptions: deferrals or sub-leases, if allowed, may be unavoidable.

Even under such a scenario, replacement demand for the aging North American fleet should absorb a meaningful number of surplus aircraft from other regions. Although so far the financing of commercial aircraft has not been a major problem, the impact of the credit crisis eventually may result in reduced availability of funding or increased cost due to the need for a more realistically risk/reward balance.

The impact of the introduction of future new technology aircraft is unlikely to "bite" in 2008/9 because of continuing equipment shortage, but with high fuel prices and more stringent environmental legislation, pressure on the value of older aircraft is bound to increase. At lower price levels, cargo conversion of former passenger planes will become a more realistic option.

Some of the major investors in aircraft have started to reallocate residual value risk to other parties, still benefiting from the relatively bullish market environment and the lack of other attractive investment opportunities. Other investors are eliminating their positions by selling portfolios to even more bullish funds. Both trends indicate the market to be close to the peak of the cycle.

Abbreviations Aviation – Markets

LCC	*Low-cost carrier*

Except for the omnipresent "event risks" in commercial aviation, there are no obvious reasons for a market collapse in 2008, although it seems unlikely that "the best is yet to come". For 2008, the market is likely to cool off slightly from its current somewhat overheated status, 2009 may prove more difficult, as the impact of the credit crisis spreads through the economy. Older aircraft are more likely to suffer – and if high fuel prices persist, their values will not return to 2007 levels. Modern technology aircraft however – if acquired or financed at realistic levels – should continue to represent strong collateral for asset-based lending, despite some cyclical market movements.

10.2.2 Aviation – Portfolio

In the coming period 2008/2009 we expect to face new uncertainties and fresh challenges, as banks come to terms with the financial crisis, and amidst signs of a recession which will surely affect our transportation markets.

DVB is today one of the largest providers of recourse and non-recourse debt to passenger and cargo airlines, and to aircraft lessors worldwide, with a total exposure that has grown steadily to over US$5.32 billion, financing over 747 aircraft and 29 engines. We will continue to adopt a proactive approach to maintaining and growing our portfolio in line with well-established lending guidelines and principles.

We always maintain that a market of uncertainty is a market of opportunity for a specialised institution like DVB. With the growth of our Aviation platform, in terms of both people and services, and in view of our highly asset-focused business approach, we believe that we are positioned better than ever to support our aviation client base. We will be open for business during 2008 and beyond, but we will use our deep knowledge of the underlying assets to avoid 'hidden' asset risks in transactions. This cycle-neutral approach, allied with a discipline to balance commercial pressure with the requirement to maintain a quality portfolio, will be the key ingredients to ensure that we enjoy continued success.

Our market coverage, and product and service offering, is seeing us generate a healthy pipeline of potential new transactions. With such pipeline covering opportunities which will materialise in 2008, and already for 2009, we can be confident in our ability to maintain momentum in our business, which has seen our Aviation portfolio grow in US-dollars by 104.6% over the last five years.

In our lending activity, following the downward trend we have experienced in 2006 and 2007, we expect to see our average margin for new business firming somewhat, and without any compromise to the quality of 'risk/reward'. We reasonably foresee maintaining the volume of new, final-take, business at or around the US$1.5 billion level which we have seen in each of the last two years. At the same time, we are confident of a growing level of activity in our advisory, structured finance and asset management services, as these activities mature further within Aviation. In summary, opportunities for profitable growth will come from:

- booking of new ('primary') loan business, where we usually act as arranger, underwriter and/or agent, as well as activity in the 'secondary' debt market, where above-average yields can often be earned; and

- our expanded scope of fee-generating services, as earlier outlined.

A key initiative for the year ahead is to ensure the best possible communication of our expanded scope of activities to our clients and business partners. DVB's reputation for being specialised and industry-focused is clearly understood by now. The fact that our Aviation Division (and indeed DVB at large) also provides a scope of 'asset-based' services outside of that of a typical bank is less well-known, yet it is this fact that – moving below the surface – undoubtedly differentiates us from our friendly competitors.

10.3 Land Transport

10.3.1 Land Transport – Markets

We continue to envisage further transport services growth during 2008 and 2009 in most of the global land transport sectors we cover. Our expectation for the North American transport market is continued (but not worsening) weak demand, for at least the beginning of 2008.

Swiss socio-economic forecasting company ProgTrans forecasts that freight transport performance will increase by 2.5% per annum in the period from 2006 to 2015, split out in 2.0% for rail and 2.6% for road. On the passenger side, ProgTrans projects 1.0% growth p.a. for inter-urban rail, 0.9% for urban rail and a steady 0.3% for buses and coaches transport performance. Germany based rail consultancy firm SCI Verkehr predicts a further revenue increase from the European rail freight market of 3.1% per annum until 2015. We expect the consolidation process in the European railway company scene to continue, with an outlook into the future comprising a few pan-European players and various shortline companies as in North America.

It can be expected that European freightcar prices continue to increase above inflation levels unless more railway companies increase their relatively insignificant in-house freightcar manufacturing capacity and/or the European manufacturers just outside the European Union expand their capacity. In any case, we expect the price of steel – and therefore the price of new freightcars – to increase above inflation rates, as iron ore mining companies seek to increase prices.

Investment house Bear Stearns expects the North American railroad industry to perform well in 2008 and upgraded railroad stocks to 'overweight'. On the other hand, we expect rail pricing continues to decelerate due to overcapacity of the road sector. Top rail executives of the Class I railroads generally characterised 2007 as a 'good' year, and expect 2008 to be about the same. The expectations of top passenger rail executives in the US are less than sanguine about 2008 as the cost of operating public transit systems continues to increase faster than the rate of inflation. But the public-transit sector is a great success story. We do not expect the factors that drive people to ride the rails in record numbers are going to change.

In 2007 Class I railroads invested a total of US$8.4 billion in their infrastructure, another record. However, future investments will be under pressure because of four bills being debated in US Congress, which would re-impose rate regulation and introduce competition in the US rail freight market to redress perceived monopoly abuses. North American leasing companies are expected to invest more in new built freightcars as the cyclical freightcar market is predicted to reach a bottom point. Overall, Economic Planning Associates Inc. projects freightcar deliveries will total 56,500 in 2008 and 54,500 in 2009. Rail Theory Forecasts LLC expects even a cut back to 48,000 wagons in 2008.

Rail infrastructure investment wise, dedicated railway lines for either freight or high-speed passenger traffic are on the political roll on both continents. In Italy the first private open access high-speed railway company in the world will start its domestic operations in 2010. More open-access companies could follow this example as the European international rail passenger market will be open for competition in 2010. High-speed trains services gradually eat away the business of short-haul flights. We also expect a modal shift in the freight sector: railway companies will team up to connect Asia with Europe on the 'silk route' within 15 days, thereby targeting on the enormous container shipping volumes that usually take twice the transport time. This service is due to start in the end of 2009 and can have a very significant impact as well against air freight. The Chinese, Russian and Ukrainian railways expect their capacity would be around 3 million containers per year.

10.3.2 Land Transport – Portfolio

We anticipate continued portfolio growth, with improved profitability, for the years 2008 and 2009.

Our Land Transport team is well positioned for the challenges and opportunities ahead during the coming years. Together with our investments in boosting our structuring skills, we are determined to leverage our asset finance expertise to adequately respond to expected rising demand for efficient financing solutions and structured products. Our offices in Frankfurt/Main, London, and New York provide us with an adequate local presence in the various market segments we cover.

Our extended Land Transport product range will help us explore a wider scope of business opportunities and sources of income. We look ahead with confidence, thanks to our balanced portfolio of core clients, and our focus on stable and reliable regional markets. We do not anticipate any major market disruption which would directly influence our financing, structuring, or advisory activities. The slowdown in the US economy will impact on the cyclical trend in vehicle values, whilst the ordering cycle for rolling stock in Europe will gradually develop into a market-based mechanism, in contrast to the impact of largely political influence in the past. We are perfectly prepared to deal with these changes, applying our skills which are based not least on the fundamental work undertaken by Land Transport Research in market observation and asset valuation.

The rail finance business will remain the focus of our activities, with freightcars prevailing as the predominant asset class. We also expect significant activity in procurement and financing of locomotives in Europe, following a trend which emerged in the North American market at a much earlier stage. The increasing scope of tenders for regional passenger franchises will also boost purchases of regional train sets. Increasing orders will boost transaction volumes across all rail segments. This trend holds attractive opportunities for our business model, particularly in Europe where existing state-owned railways will need to catch up on an investment backlog, given their reluctance to procure vehicles in the past. Against the background of impending (partial) privatisations of state-owned railways, innovative financing structures beyond the traditional capital market deals are expected to increase. In our view, this will apply to operating lease structures in particular.

The importance of the road vehicles and logistics markets for our business is set to increase over the next two years. In Europe, the prevailing trends towards greater standardisation of vehicles across manufacturers and a higher attractiveness of vehicle rental and leasing will continue to converge with developments in North America – with unchanged, high quality standards. In this context, we see significant potential to join our clients and boost our profile in structuring and financing fleets of trucks, semitrailers and chassis, and in mobile logistics equipment such as tank containers.

10.4 Syndications – Markets and portfolio

For 2008 we expect sources of shipping and aviation finance to remain tight, at least through the first three quarters of the year. Banks will remain reluctant participants when it comes to large syndicated deals. We expect to see an increase in bilateral transactions and club deals, whereby institutions do not have to take underwriting risk. Nevertheless, we expect syndicated transactions still to be successful if deal terms stand out.

With regards to Shipping Finance, some concerns have been raised over whether there will be sufficient capacity in the bank market to fund the massive world-new building order book (scheduled for delivery in 2009, 2010 and 2011) against the tightening liquidity from the bank market. We have already seen some cancellations of orders for this reason. However, with ECA debt still available as alternative to bank debt, and based on the expectation that borrowers will agree to adjust their finance terms to mitigate the banks' concerns, we assume that most of the order book will be adequately financed.

In the aviation market we experienced a peak in orders and in pricing during the last months of 2007, a trend that we expect to continue in the first months of 2008. Nevertheless we must also expect a slowdown for the rest of the year and for 2009, in line with the overall liquidity tightening in the financial sector combined with some concerns about the historically high order book at the manufacturers.

We do not expect a substantial reduction of liquidity for rail transactions. A number of banks expressed interest to increase their activities in the rail sector as a means of diversifying their lending books that may so far be dominated by aviation and/or shipping finance. In addition the rail market is likely to open up further, and we expect to see a high level of activity.

Overall we expect to see a cautious approach in the bank market to new underwritings in 2008. We expect most financings to be utilised to finance new acquisitions and we expect to see very little refinancing facilities. We expect market flex to remain a common component of an underwritten offer. We do not expect many financial institutions to stop new lending altogether but we do expect a selective approach, which will reduce the liquidity available to place a syndicated transaction successfully. We expect this trend to continue in 2009.

Abbreviations Syndications	
ECA	*Export Credit Agency*

10.5 Investment Management

10.5.1 NFC Shipping Funds

Abbreviations Investment Management	
GDP	*Gross Domestic Product*
SOLAS	*International Convention of Safety of Life at Sea*

The full impact of the credit crisis on the shipping markets is yet unknown. The short-term impact seems to be a reduced availability of credit to the shipping industry, which is both a threat to the NFC business as well as an opportunity. The threat is where the NFC funds on project level raise senior debt of third parties, and the opportunity exists as capital constraints with shipping companies enhance the deal flow for NFC.

The high order book in many shipping sectors will put pressure on rates and values. Traditionally, falling markets have resulted in over-reaction, reducing values of vessels and rates to low levels again. This will result in new buying opportunities for NFC and an enhanced deal flow.

10.5.2 Deucalion Aviation Funds

The Deucalion funds are well positioned to take advantage of the continued and wide-spread investment opportunities in the aviation sector. The funds have sufficient access to capital, with continued investor interest and access to senior debt leverage.

We expect to see an increase in the volume of funds under management through the Deucalion funds during 2008 and into 2009, principally through increased ownership of aircraft, but also through opportunistic investment across the aviation sector in aero engines, airline equities and freighter conversion opportunities.

Despite a more volatile and tightening credit market at year-end 2007, we do not expect the competition for investment projects to abate significantly in the near term. Some deterioration in airline profitability might reasonably be expected in 2008, at least in some regions of the world where we are seeing some early signs of weakening GDP growth (there is a close and widely recognised correlation between GDP and airline traffic growth). Asset price inflation, which has been a feature of the last several years across the more popular asset types, may also see some levelling off with a welcome correction (for an investor) to the balance of risk/reward.

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

10.5.3 Intermodal Equipment Fund

We aim to further enhance our presence as a creative and knowledgeable investor within the global Intermodal sector.

The Intermodal Fund is well positioned to take advantage of the continued and widespread investment opportunities in the Intermodal sector. The fund has sufficient access to capital, continuing strong investor interest, good access to senior debt leverage, and is backed by deep in-house know-how of the market and (especially) by the expertise in the residual risk of the assets. It is not our focus to enter into operational activities.

We expect to increase the volume of funds under management, principally but not only through the acquisition of new and/or existing Intermodal equipment but also through opportunistic investments in large container portfolios, leasing companies and Intermodal equipment trading activity, including the after-market.

10.5.4 Cruise/Ferry Funds

Despite a more volatile and tightening credit market, the Cruise/Ferry Master Fund is well positioned to take advantage of the continued and widespread investment opportunities in the cruise and ferry sectors.

In the case of the cruise sector, demand for cruise vacations continues to grow strongly, and combined with a historically reasonable order book and the advent of SOLAS 2010 phase-out of certain older tonnage, the prospects for investing in the sector continue to be promising.

The picture in the ferry sector is similar: a historically small order book, combined with a high percentage of tonnage older then 35 years requiring replacement in the next decade, means that substantial fleet renewal opportunities exist.

Backed by deep in-house knowledge of the market and asset values, the fund continues to enjoy strong investor interest and good access to senior debt leverage. A healthy pipeline of opportunities, solid market prospects and a faster-than-anticipated investment process, has prompted us to contemplate the setup of a second, €200 million master fund, in order to benefit from an ongoing advantageous investment environment in both sectors.

10.6 ITF Suisse subsidiary

ITF Suisse envisages expanding its group of regular contacts within the interbank market to around 45 institutions in 2008. Its business model is based on the trusting cooperation with partner banks. A maximum of around 50 partner institutions is considered to be sufficient to realise the projected business development, with the bulk of transactions expected to be entered into with between 10 and 15 counterparts.

Global transport continues to benefit from a sustained boom, with new orders for ships and aircraft at historical highs. This indicates continued demand for financing, and even the current funding difficulties are unlikely to permanently subdue business performance.

It is fair to assume that business in the first half of 2008 is unlikely to match original expectations. On the other hand, an expected revival in the deal flow from mid-year onwards will allow ITF Suisse to catch up at least some of the shortfall. This market recovery is expected to continue into the year 2009.

Given the delay in business origination, planned net interest income is no longer likely to be realised. In contrast, fee and commission income is likely to match the targets, given a certain compensation effect plus the improvement in market terms.

Key objectives pursued in structuring the financing portfolio are a certain size level, with projected portfolio size of between US$1.5 billion to US$2 billion by the end of 2008, as well as a good level of diversification. In view of a certain degree of overheating which can be observed in the aviation finance markets (characterised by a combination of low margins and high loan-to-value ratios), portfolio exposure to this asset class is likely to remain underweight; at least, it will remain below budget.

Over a long-term horizon, the target portfolio weightings 50–60% shipping finance and 30–35% aviation finance, with the remaining 5–20% in other asset classes (locomotives, rail wagons, or container boxes). In the current market situation, ITF Suisse will need to ascertain sufficient diversification within each sector – particularly in shipping finance.

To date, lending policies have been adopted for shipping and aviation finance; accordingly, these will be supplemented by a land transport lending policy in the course of this year.

10.7 Treasury

We will use a variety of money and capital markets instruments to cover DVB's funding needs over the years 2008 and 2009. This is designed to maintain maximum possible independence of individual products or investor groups.

Our particular focus will be on issues denominated in US-dollars, given the currency's dominant role in our credit portfolio. This will be facilitated by actively using our two international issuing programmes, the Commercial Paper Programme and the Debt Issuance Programme. Our issuance in US-dollar will thus be intensified further.

In view of the predominantly German investor structure for promissory note loans – which represent one of DVB's traditional sources of funding – placements in these issues are expected to remain dominated by the euro.

We envisage issuing approx. US$2.7 billion through our Euro Commercial Paper programme during 2008. Through our Debt Issuance Programme, we plan to issue another US$3.9 billion in medium- to long-term securities, plus €600 million in promissory note loans.

Refinancing volumes targeted for 2009 within the scope of our issuance programmes and promissory note loans are largely dependent on our new business planning. This will be finalised in the fourth quarter of 2008; at this point in time we are therefore unable to make a statement on the anticipated refinancing volume for 2009.

10.8 Financial outlook

Abbreviations

HGB	*German Commercial Code (Handelsgesetzbuch)*
KWG	*German Banking Act (Kreditwesengesetz)*

Improved profitability, together with the continued, *strengthening of the equity base* will remain at the heart of our activities in the years 2008 and 2009. In our view, this *continues to stabilise our ratings* from Standard & Poor's and Moody's. The rating upgrade by Moody's in May 2007 (from A2/P to A1/P-1) has shown that DVB is on the right track.

We forecast further *growth in profit from ordinary activities* in 2008 and 2009, even though the growth rates may not quite match the momentum seen in 2007.

In our view, although the crisis affecting global financial markets will increase refinancing costs, the widening of credit spreads is also set to continue, which in turn could prompt some competitors to reduce their exposure to international transport finance. Such a scenario could, in fact, be advantageous for DVB Bank AG's performance in 2008 and 2009.

We anticipate solid growth potential regarding *net fee and commission income* in particular, thanks to the launch of commission-based services such as equity sourcing, and to the investment in the Investment Management Division. In this way, we have built the foundations for improving operating profit excluding risk provisioning, with reduced cyclicality.

General administrative expenses are set to rise moderately. As in 2007, we will continue to expand the three Transport Finance divisions, and the Investment Management Division in particular, introducing new products and bringing additional staff on board. Assuming that we will succeed in further enhancing DVB Group performance in the years 2008 and 2009, we also anticipate increased bonus payments to staff.

The US-dollar/euro exchange rate will continue to have a significant impact on DVB's performance.

- DVB will continue to hedge income denominated in US-dollars in advance, on an annual basis following completion of the planning process for the next business year. DVB has successfully applied such hedges to balance exchange rate fluctuations between the two main currencies it operates in.

- DVB will continue to issue subordinated capital in US-dollar as part of its funding activities. As a result, the increased US-dollar-denominated portion of liable equity (Tier II) components acts as a counterweight against currency-related fluctuations in the total capital ratio.

Our ***financial targets*** are defined on the basis of return on equity (RoE) and cost/income ratio (CIR – both defined in accordance with the HGB), and the core capital ratio, as defined by the KWG: We plan to achieve further growth in RoE on a medium-term horizon; depending on the level of interest rates, our target is 20%. Continuing the development seen in the last two years, we envisage keeping CIR below 50% during 2008 and 2009. Furthermore, we intend to stabilise the core capital ratio, at a level clearly above 6%.

Railcars successfully set rolling

DVB successfully co-arranged and co-underwrote a US$100 million senior secured debt facility supporting the acquisition of new and used railcars by ARI Second LLC. The transaction allowed ARI Second (US), together with its parent and guarantor, American Railcar Leasing (US), to capitalise on its long-standing reputation as a railcar investment expert and a track record of placing new railcars with shippers and railroads to satisfy growing demand for efficient rail transportation assets.

The facility incorporated a two-year warehousing period with a seven-year term loan. The deal reflected DVB's fundamental understanding of the US rail market. It was structured to allow for expansion should the company's business require additional funding, and featured a two-tier pricing mechanism based on whether the assets being funded were subject to lease and carried regular loan-to-value tests to maintain adequate asset coverage on the financing. The amortisation upon conversion to term loan will be set at that date, depending upon the average age of the fleet and a predetermined maximum life profile.

Finally, the transaction was closed during a difficult period for bank debt financing markets, thus maintaining DVB's own reputation as a stable and knowledgeable counter-party for its client. The transaction was awarded 'US Rail Deal of the Year – 2007' by Jane's Transport Finance.

Consolidated Financial Statements of DVB Group
Consolidated balance sheet as at 31 December 2007

Assets (€ mn)	Note #	**31 Dec 2007**	31 Dec 2006	%
Cash and balances with the central bank	(27)	276.6	163.0	69.7
Loans and advances to banks	(28)	1,518.8	600.7	–
Loans and advances to customers	(29)	10,124.7	9,339.2	8.4
Allowances for losses on loans and advances	(30)	–113.2	–130.7	–13.4
Positive fair values from derivative hedging instruments	(31)	111.8	172.8	–35.3
Financial assets held for trading	(32)	149.8	96.8	54.8
Investment securities	(33)	190.3	221.9	–14.2
Investments in companies accounted for using the equity method	(34)	34.7	48.1	–27.9
Intangible assets	(35)	89.5	82.0	9.1
Property and equipment	(36)	687.7	469.0	46.6
Income tax assets	(38)	39.3	22.5	74.7
Other assets	(39)	44.5	13.8	–
Total assets		**13,154.5**	**11,099.1**	**18.5**

Equity and liabilities (€ mn)	Note #	31 Dec 2007	31 Dec 2006	%
Deposits from other banks	(40)	4,057.9	2,554.8	58.8
Deposits from customers	(41)	4,362.3	4,033.4	8.2
Securitised liabilities	(42)	2,931.8	3,029.5	–3.2
Negative fair values from derivative hedging instruments	(43)	125.8	59.0	–
Financial liabilities held for trading	(44)	52.2	47.4	10.1
Provisions	(45)	95.5	57.6	65.8
Income tax liabilities	(46)	71.3	42.3	68.6
Other liabilities	(47)	38.9	33.2	17.2
Subordinated liabilities	(48)	625.6	537.1	16.5
Equity	(49)	793.2	704.8	12.5
Issued share capital		99.7	99.5	0.2
Capital reserve		195.8	199.4	–1.8
Retained earnings		456.7	369.9	23.5
thereof: Fund for general banking risks		82.4	82.4	0.0
Revaluation reserve		7.2	20.4	–64.7
Hedging reserve – cash flow hedges		9.0	3.7	–
Currency translation reserve		3.3	–2.9	–
Distributable profit		20.6	12.5	64.8
Minority interests		0.9	2.3	–60.9
Total equity and liabilities		**13,154.5**	**11,099.1**	**18.5**

Consolidated income statement for the period from 1 January to 31 December 2007

€ mn	Note #	1 Jan 2007–31 Dec 2007	1 Jan 2006–31 Dec 2006	%
Interest income	(18)	797.4	699.3	14.0
Interest expenses	(18)	607.5	539.8	12.5
Net interest income	(18)	189.9	159.5	19.1
Impairment losses on loans and advances	(19)	20.3	27.8	–27.0
Net interest income after loan losses		169.6	131.7	28.8
Fee and commission income	(20)	92.7	78.7	17.8
Fee and commission expenses	(20)	7.9	6.2	27.4
Net fee and commission income	(20)	84.8	72.5	17.0
Net trading income	(21.1)	–6.2	–1.3	–
Hedge result	(21.2)	–3.8	–1.7	–
Result from the application of the fair value option	(21.3)	0.4	1.7	–76.5
Result from derivatives entered into without intention to trade	(21.4)	–1.4	8.5	–
Net income from investment securities	(21.5)	17.1	5.7	–
Net income from financial instruments in accordance with IAS 39	(21)	6.1	12.9	–52.7
Result from investments in companies accounted for using the equity method	(22)	3.7	4.0	–7.5
General administrative expenses	(23)	147.4	125.4	17.5
Net other operating income/expenses	(24)	1.9	5.8	–67.2
Result from ordinary activities before tax		**118.7**	**101.5**	**16.9**
Income tax expense	(25)	–11.0	–13.0	–15.4
Profit after tax		**107.7**	**88.5**	**21.7**
Minority interest		1.5	1.5	0.0
Consolidated net profit [1]		**109.2**	**90.0**	**21.3**
Profit carried forward from the previous years		0.7	0.7	0.0
Transfer to retained earnings		–89.3	–78.2	14.2
Distributable profit		**20.6**	**12.5**	**64.8**

1) Portion of the Group's profit after tax attributable to shareholders of DVB Bank AG.

Earnings per share

	2007	2006	%
Net profit/loss (€ mn)	109.2	90.0	21.33
Average number of shares outstanding	3,945,329	3,911,461	0.87
Options outstanding at the balance sheet date	0.0	53,310	–100.0
Basic earnings per share (€)	**27.67**	**23.01**	**20.25**
Diluted earnings per share (€)	**27.58**	**22.93**	**20.28**

The outstanding options were exclusively held by DVB employees. There were no outstanding financial instruments with rights to conversion in the business years 2006 and 2007.

Consolidated cash flow statement

€ mn			31 Dec 2007	31 Dec 2006
1.		**Profit before tax**	**118.7**	**101.5**
		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	20.4	10.1
3.	+/–	Increase/decrease in provisions	65.3	–47.8
4.		Other non-cash income/expenses		
	+/–	Hedge accounting	–4.8	–1.9
	+/–	Other changes from the fair value measurement of financial instruments	296.0	–27.5
5.	+/–	Gains/losses on disposal of investment securities, and property and equipment	–19.6	–11.1
6.	+/–	Other adjustments (mainly relating to net interest income)	–193.5	–154.6
7.	**=**	**Subtotal**	**282.5**	**–131.3**
		Changes in assets and liabilities from operating activities		
8.		Loans and advances		
	+/–	to banks	–921.2	279.7
	+/–	to customers	–1,161.4	7.7
9.	+/–	Other assets from operating activities	74.2	–376.1
10.		Deposits		
	+/–	from other banks	1,511.4	–361.3
	+/–	from customers	402.4	554.9
11.	+/–	Securitised liabilities	–98.1	169.9
12.	+/–	Other liabilities from operating activities	–0.7	–38.9
13.	+/–	Interest and dividends received	815.0	696.5
14.	–	Interest paid	–621.4	–541.8
15.	+/–	Income taxes paid	–18.9	–13.0
16.	**=**	**Cash flow from operating activities**	**263.8**	**246.3**
17.		Cash proceeds from the disposal of investment securities	36.6	114.2
18.		Cash payments for additions to property and equipment	–238.9	–288.1
19.		Cash payments to acquire consolidated companies	–10.8	0.0
20.	+/–	Net change resulting from other investing activities	–9.4	–5.4
21.	**=**	**Cash flow from investing activities**	**–222.5**	**–179.3**
22.	+	Cash proceeds from additions to equity (capital increases, sale of treasury shares, etc.)	–3.5	–0.1
23.	–	Cash payments to owners and minority shareholders (dividends)	–11.8	–5.9
24.	–	Net change resulting from other financing activities	87.6	53.1
25.	**=**	**Cash flow from financing activities**	**72.3**	**47.1**
26.	=	Net change in cash and cash equivalents (total of items 16, 21 and 25)	113.6	114.1
27.	**=**	**Cash and cash equivalents at beginning of period**	**163.0**	**48.9**
28.	**=**	**Cash and cash equivalents at end of period**	**276.6**	**163.0**

Statement of recognised income and expense

€ mn	**2007**	2006
Consolidated net profit before minority interest	107.7	88.5
Income and expenses not recognised in the income statement	–4.2	3.8
thereof: from remeasurement of AfS financial instruments	–13.2	–6.2
thereof: from cash flow hedges	5.3	5.1
thereof: from currency translation	6.2	4.3
thereof: from actuarial gains and losses	–2.5	0.6
Total	**103.5**	**92.3**

Consolidated statement of changes in equity[1)]

€ mn	Subscribed Capital	Capital reserve	Retained earnings
IFRS equity as at 1 Jan 2006	**99.6**	**199.5**	**292.7**
Consolidated net profit			
Transfer to retained earnings			78.2
Income and expenses not recognised in the income statement			–1.3
Capital increase			
Employee participation scheme		0.4	
Dividend payment			
Changes in treasury shares	–0.1	–0.4	
Changes in consolidated group and other changes			0.3
IFRS equity as at 31 Dec 2006	**99.5**	**199.4**	**369.9**
Consolidated net profit			
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			
IFRS equity as at 31 Dec 2007	**99.7**	**195.8**	**456.7**

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 interest	Minority interests	**Equity**
26.6	**–1.4**	**–8.0**	**9.4**	**618.4**	**4.2**	**622.6**
			90.0	90.0	–1.5	88.5
			–78.2	0.0		0.0
–6.2	5.1	6.2		3.8		3.8
				0.0		0.0
				0.4		0.4
			–8.8	–8.8		–8.8
				–0.5		–0.5
		–1.1		–0.8	–0.4	–1.2
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**

Notes

Table of Contents

Notes

Basis of accounting

For the business year 2007, the consolidated financial statements of DVB Bank AG were prepared in accordance with International Financial Reporting Standards (IFRS) and the additional requirements of German commercial law under section 315a (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 the standards that had been published by the International Accounting Standards Board (IASB) and adopted by the European Union until 31 December 2007.

Notes to the 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 principles

1.1 Accounting standards applied for the first time in the reporting period

1.1.1 IFRS 7 – Financial Instruments: Disclosures

IFRS 7 governs the nature and the extent of the disclosures related to financial instruments required to be made in the notes to the consolidated financial statements. The provisions included in IFRS 7 are intended to enable users of financial statements to evaluate the significance of financial instruments for the financial position and performance and the nature and extent of risks arising from the use of such financial instruments.

IFRS 7 does not contain any provisions with regard to recognition and measurement of financial instruments in the balance sheet or in the income statement. The first-time application of IFRS 7 therefore does not have any impact on the presentation of financial instruments in the balance sheet or in the income statement, either in the current year or in future business years.

1.1.2 IFRS 8 – Operating Segments

IFRS 8 governs the preparation of the segment report to be included in IFRS consolidated financial statements, and replaces the previous IAS 14. IFRS 8 is required to be applied for business years beginning on or after 1 January 2009. Early application of IFRS 8 is permitted. DVB uses this option and has prepared the segment report included in the consolidated financial statements for the business year 2007 for the first time in accordance with the provisions of IFRS 8. The comparative figures presented for the business year 2006 were adjusted retrospectively.

1.1.3 IFRIC 9 – Reassessment of Embedded Derivatives

In the business year 2007, we complied for the first time with the provisions of IFRIC 9 "Reassessment of Embedded Derivatives". IFRIC 9 represents an interpretation of IAS 39 and provides guidance on when a company has to assess whether a combined financial instrument contains embedded derivatives.

The provisions of IFRIC 9 are in line with the established processes used in the past for the assessment of embedded derivatives, pursuant to which the assessment as to whether a combined financial instrument contains derivatives required to be separated is made exclusively at the time of addition. A subsequent reassessment only takes place in case of a material change in the terms of the contract related to the combined financial instrument.

The first-time adoption of IFRIC 9 has no effects on the IFRS consolidated financial statements of DVB.

1.1.4 IFRIC 10 – Interim Financial Reporting and Impairment

In the business year 2007, we complied for the first time with the provisions of IFRIC 10 "Interim Financial Reporting and Impairment". IFRIC 10 represents an interpretation of IAS 34, IAS 36 and IAS 39. Accordingly, impairment losses recognised in a previous reporting period in respect of goodwill or an investment in either an equity instrument or an asset carried at cost may not be reversed, even if the impairment occurred during an interim reporting period and the reasons for such impairment cease to exist in a subsequent interim reporting period of the same business year.

The first-time adoption of IFRIC 10 did not have any impact on the presentation of DVB's financial position and performance.

1.1.5 IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions

In the business year 2007, we complied for the first time with the provisions of IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions". IFRIC 11 deals with various issues in connection with the application of IFRS 2 "Share-based payment".

The first-time adoption of IFRIC 11 did not have any impact on the presentation of DVB's financial position and performance.

1.2 Expected impact of financial reporting standards to be applied in future

As at the balance sheet date (31 December 2007), there were no IFRSs or IFRICs issued by the IASB and adopted by the European Union that were not taken into account in the preparation of DVB's consolidated financial statements in accordance with IFRS. The following standards and interpretations issued by the IASB or IFRIC, respectively, until 31 December 2007 have not yet been endorsed by the EU: Amendment to IAS 1 "Presentation of Financial Statements: A Revised Presentation", Amendment to IAS 23 "Borrowing Costs", IFRIC 12 "Service Concession Arrangements", IFRIC 13 "Customer Loyalty Programmes", IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction".

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

The group of consolidated companies of DVB Bank AG comprises all significant subsidiaries which the Company directly or indirectly controls within the meaning of IAS 27. These companies currently include 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 Bank N.V., Rotterdam, 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' subsidiaries. The DVB Bank AG's share in these subsidiaries' capital amounts to 100% each. In addition, DVB Holding GmbH acquired a majority stake amounting to 78.53% in TES Holdings Limited, Cardiff, on 16 July 2007.

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 no longer controls the subsidiary. As part of the initial consolidation of the TES Group, the assets acquired and liabilities assumed were measured at the fair values applicable at the time of initial consolidation in accordance with IFRS 3 and the remeasured proportionate share in equity is offset against the purchased investment. Any remaining excess is reported as goodwill in the balance sheet under intangible assets.

In addition, the following companies were included in the group of consolidated companies in accordance with IFRS because DVB Bank AG may exercise control over such companies within the meaning of SIC–12:

- Deucalion Ltd., Cayman Islands,
- Deucalion Capital I Ltd., Cayman Islands,
- Deucalion Capital II Ltd., Cayman Islands,
- Deucalion Capital IV Ltd., Cayman Islands,
- Deucalion Capital V Ltd., Marshall Islands,
- Deucalion Capital VI Ltd., Cayman Islands,
- Deucalion Capital VII Ltd., Cayman Islands,
- Deucalion Capital I (UK) Ltd., London,
- Deucalion Capital II (UK) Ltd., London,
- NFC Shipping Fund II LLC, Marshall Islands,
- NFC Shipping Fund III LLC, Marshall Islands,
- NFC Shipping Fund IV LLC, Marshall Islands,
- NFC Shipping Fund V LLC, Marshall Islands,
- NFC Shipping Fund A LLC, Marshall Islands,
- NFC Shipping Fund B LLC, Marshall Islands,
- Container Investment Fund I LLC, Marshall Islands,
- Container Investment Fund II LLC, Marshall Islands,
- Cruise Finance Investment Fund I LLC, Marshall Islands,
- Stephenson Capital Ltd., Cayman Islands.

As at 31 December 2007, DVB Bank AG had the following equity interests in other companies:

€	Shareholding %	Net profit/loss	Equity
I. Companies included in the consolidated financial statements			
DVB Bank AG, Frankfurt/Main		–	–
DVB LogPay GmbH, Eschborn [1) 6)]	100	2,936,245	2,048,400
Euro Toll Service GmbH, Eschborn [1) 6)]	75.12		[3)]
DVB Holding GmbH, Frankfurt/Main [1) 6)]	100	–899,355	13,000,000
DVB Objektgesellschaft Geschäftsführungs GmbH, Frankfurt/Main	100		[3)]
DVB Objektgesellschaft mbH & Co KG, Frankfurt/Main	100	–1,797	183,658
DVB Service Company (HK) Ltd., Hong Kong	100		[3)]
TES Holdings Ltd., Cardiff	78.53	1,324,558	19,050,368
TES (535 E4) Limited, Cardiff	100		[7)]
TES (E4) Limited, Cardiff	100		[7)]
TES 757 Ltd., Cardiff	100		[7)]
TES Aviation Ltd., Cardiff	100		[7)]
TES Aviation Services Ltd., Cardiff	100		[7)]
Total Engine Support Ltd., Cardiff	100		[7)]
TES Parts Ltd., Cardiff	100		[7)]
TES RB 211-535 Ltd., Cardiff	100		[7)]
EFPAC Ltd., Cardiff	100		[7)]
International Transport Finance Limited, London	100	–4,723,460	8,584,304
Ocean Clementine Ltd. Partnership, London	100		[3)]
Ocean Gwendolen Ltd. Partnership, London	100		[3)]
ITF International Transport Finance Suisse AG, Zurich	100	–1,123,978	19,943,192
Hangar Vermietungs- u. Verpachtungs GmbH, Frankfurt/Main	100	–13,390	25,000
DVB Bank N.V., Rotterdam [2)]	100	11,921,698	219,701,827
Shipping Capital B.V., The Hague	100	334,388	6,304,465
Everhard Beleggingen B.V., Rotterdam	100	–381,303	–3,219,677
Infifion III B.V., The Hague	100	0	635,292
Nedship Participation (Norway B.V.), Rotterdam	100	174,950	742,577

€	Shareholding %	Net profit/loss	Equity
I. Companies included in the consolidated financial statements (Continued)			
Scheepvaart Maatschappj Peter B.V., Rotterdam	100	0	45,378
Infifon XI B.V., The Hague	100	0	26,216
Nedship Shipping B.V., Rotterdam	100	810,000	2,126,634
Nedship Scheepvaarthuis B.V., Rotterdam	100	–52,698	–271,844
Scheepvaart Maatschappij Ewout B.V., Rotterdam	100	0	16,788
Hollandse Scheepsbank Hypotheekbank N.V., Rotterdam	100	0	711,043
Nedship Financial Consultants E.P.E., Piraeus	100	1,327	42,741
DVB Bank America N.V., Curaçao [2]	100	77,422,513	124,281,116
Shipping Capital Antilles N.V., Curaçao	100		[7]
DVB Container Finance America LLC, Majuro	100		[7]
Netherlands Shipmortgage Corporation Ltd., Hamilton	100		[7]
AER Holdings N.V., Curaçao	100		[7]
DVB Shipping Management N.V., Curaçao	100		[7]
DVB Group Merchant Bank (Asia) Ltd., Singapore [2]	100	21,182,870	104,523,740
DVB Container Finance Asia Pte. Ltd., Singapore	100	–159,717	–161,081
DVB Aviation Finance Asia Pte. Ltd., Singapore	100	973,362	–990,444
Ibon Leasing Limited, Grand Cayman	100		[3]
Longspur Limited, Grand Cayman	100		[3]
DVB Holding (US) Inc., New York	100	–492,899	1,453,439
DVB Capital Markets LLC, New York	100		[7]
DVB Transport (US) LLC, New York	100		[7]
DVB Service (US) LLC, New York	100	0	135,860
II. Subsidiaries not included in the consolidated financial statements [4]			
Aran Airfinance Ltd., Tokyo	100		[3]
Blasket Airfinance Ltd., Tokyo	100		[3]
Gola Airfinance Ltd., Tokyo	100		[3]
Rathin Airfinance Ltd., Tokyo	100		[3]

€	Shareholding %	Net profit/loss	Equity
III. Associated companies not included in the consolidated financial statements [4]			
DVL Deutsche Verkehrs-Leasing GmbH, Eschborn	39		[3]
Leuvestein V.O.F., Rotterdam	33.33	–	0
West Supply III AS, Haugesund	22.22	–	63,562
West Supply III KS, Haugesund	20	–	535,382
Aviateur Capital Ltd., Dublin	20		[3]
Anna Elisabeth B.V., Veere	20	0	17,570
Anna Gabriele B.V., Veere	20	0	17,570
Anna Catharine B.V., Veere	20	0	17,570
Anna Constance B.V., Veere	20	0	17,570
IV. Equity investments			
OOCL Shipping B.V., Rotterdam [5]	37.5	–	18,964,065
MALC Lease Eleven B.V., Amstelveen [5]	25	–	10,542,733
MALC Lease Twelve B.V., Amstelveen [5]	25	–	12,232,649
MALC Lease Thirteen B.V., Amsterdam [5]	25	–	9,632,916
V. Investment securities			
KRAVAG-HOLDING AG, Hamburg	10		[3]
Liquiditäts-Konsortialbank GmbH, Frankfurt/Main	0.23		[3]
Münchener Hypothekenbank eG, Munich	500 shares		[3]
DG Verlag Deutsche Genossenschafts-Verlag eG, Wiesbaden	0.03		[3]

1) There is a profit and loss transfer agreement with DVB Bank AG.
2) Net profit distributed to DVB Bank AG within the same period.
3) Not disclosed due to lack of materiality (IAS 8.8).
4) Not included due to lack of materiality (IAS 8.8).
5) No significant influence in accordance with IAS 28.
6) The company applied the exemption provisions of section 264 (3) of the HGB.
7) Net profit and shareholders' equity have been accounted for by the parent sub-group.

1.3.2 Consolidation methods

Consolidation is based on IFRS 3 in connection with IAS 27 by offsetting the Company'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 an 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 offset. Intra-group profits are eliminated. Interests in subsidiaries that are not consolidated, due to their minor significance, are measured at cost and reported in investment securities since their fair value cannot be determined with reasonable reliability.

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).

Investments in associates with a minor significance are measured at cost, since their fair value cannot be determined with reasonable reliability.

1.4 Currency translation

The functional currency of DVB is the euro. Functional currency is the currency of the primary economic environment in which the company operates. At the DVB Group, the functional currency is the currency in which refinancing activities are performed and in which receipts from operating activities are usually retained.

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.

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 avoid 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 financial assets designated as at fair value through profit or loss were of minor significance at the DVB Group both in the year under review and in the prior year and amount to less than €0.1 million in total. They are exclusively attributable to the narrowing of credit spreads based on the passage of time, and not to changes in ratings.

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 the DVB Group, 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

In line with the fair value option, as modified by the IASB in 2005, 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 in the DVB Group's 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 financial liabilities designated as at fair value through profit or loss were of minor significance at the DVB Group both in the year under review and in the prior year, and amount to less than €0.1 million in total. They are exclusively attributable to the narrowing of credit spreads based on the passage of time, and not to changes in ratings.

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.

1.5.7 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.

Financial assets and financial liabilities are derecognised 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.

1.5.8 Impairment, and reversals of impairment losses of financial instruments

If there was objective evidence for 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. The following factors are used as objective evidence: delinquency in interest or principal payments, payment defaults, breaches of material contractual terms in connection with 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 through 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 subject to impairment.

For financial instruments of the category "Available-for-sale financial assets", which are measured at fair value, it has to be examined whether there is objective evidence for 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 for equity instruments recognised in profit or loss are not permitted.

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, (a) when their economic characteristics and risks are not closely related with the economic characteristics and risks of the host contract, (b) if a separate instrument with the same terms would meet the definition of a derivative, and (c) if 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 Company 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 hedge

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 the market 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 means of selling the hedged item, the cumulative results from remeasurement attributable to the hedged risk 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. Interest expenses and interest income from hedged items, as well as from the hedging instruments, are recognised in net interest income.

1.7.2 Cash flow hedge

The purpose of cash flow hedges is to offset changes in uncertain future cash flows from hedged items with 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.

At DVB, cash flow hedge relationships are designated to hedge foreign currency risk from interest payments denominated in foreign currencies.

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 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 required 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 understand 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, other factors such as projections, as well as 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, as well as 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 judgments, which were made using all existing information in accordance with the standards.

Determining impairments of items of property and equipment, 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 for assets (or groups of assets) requires management to make significant judgments 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. We typically consider 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 an impairment exists. The recoverable amount and the fair values are typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions.

1.8.2 Allowances and provisions for losses on loans and advances (risk provisioning)

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 subject to discounting.

Recognition and measurement of provisions and the amount of contingent liabilities related to pending litigation involve, to a considerable extent, judgments 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. We record 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 losses on loans and advances

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 allowances for losses on loans and advances were 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 investments in associates not accounted for using the equity method.

Investment securities are measured in accordance with the relevant measurement category. Investment securities of the category "Available-for-sale financial assets" are measured at fair value, which is determined for financial instruments that are quoted in an active market 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. Fair value changes 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, aircraft, aircraft engines and shipping containers), 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 for 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	5–25 years	straight-line depreciation
Leased assets	7–29 years	straight-line depreciation
Leasehold improvements	10 years	straight-line depreciation

In addition, property and equipment also includes investment properties, which, in aggregate, are of minor significance for DVB's consolidated financial statements. This includes such land and buildings mainly held to earn rentals. These land and buildings are measured at cost less any accumulated depreciation and any accumulated impairment losses, in accordance with IAS 40 in connection with IAS 16.

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, leases are classified as finance leases if it transfers substantially all risks and rewards to the lessee.

8.1.1 The Group as lessor

If beneficial ownership to the leased asset remains with the Group company, then the leases 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 and reported in net interest income unless another amortisation procedure is appropriate.

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 2007, there were no contractual arrangements 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 an impairment previously recognised in profit or loss no longer exists, the relevant impairment loss is reversed, except if goodwill is concerned.

9. Non-current assets held for sale

In December 2006, the Board of Managing Directors of DVB Bank AG decided to discontinue the financing business in the Transport Infrastructure Finance segment and to sell the loan portfolio with a volume of approximately €0.67 billion. The sale planned at that time had to be reported in the consolidated financial statements for the business year 2006 as a discontinued operation.

In April 2007, the Board of Managing Directors of DVB Bank AG decided to discontinue negotiations with regard to the disposal of its Transport Infrastructure business with interested financial institutions. For the related credit exposures, the Company will rely on a managed expiration policy since the resulting earnings contributions will be higher than the proceeds to be generated from a sale. Accordingly, a reclassification of the Transport Infrastructure portfolio was already stated in the Half-Yearly Financial Report 2007, and in the Interim Management Statement for the second half of 2007. As previously, the loans and advances are reported in the balance sheet as loans and advances to customers, and the convertible bond is shown as investment securities.

The results generated in the Transport Infrastructure Finance business will no longer be reported separately in the income statement, in the result from discontinued operations.

The comparative information presented in the financial statements was adjusted accordingly.

10. 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 tax assets on tax loss carryforwards are recognised when the timing and the amount of their recoverability in the future can be reliably determined.

11. 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.

12. Securitised liabilities

The item "Securitised liabilities" includes in particular commercial papers, bearer bonds and mortgage bonds *(Pfandbriefe)* issued by DVB Bank AG. Items of this category are generally measured at amortised cost, which is determined using the effective interest method.

13. Provisions

This item includes defined benefit pension obligations, provisions for early retirement, partial retirement and jubilee payments, as well as other provisions. 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.

14. Subordinated liabilities

The item "Subordinated liabilities" includes subordinated loans from banks, subordinated bearer bonds and profit-participation rights issued by DVB Bank AG 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.

15. Equity

Equity represents the residual interest in the assets of a company, after deducting all of its liabilities. At the 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 remeasurement. 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 AG 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.

16. Trust activities

Trust activities performed by the Group on its own behalf, but for the account of third parties, are not recognised in the balance sheet since the IFRS/IAS recognition criteria are not met.

17. Employee participation schemes

In 2007, DVB employees subscribed for 50,060 shares (2006: 35,765 shares) to be issued from contingent capital (pursuant to section 4b of the Articles of Association) through the exercise of options under the "DVB shares" employee participation scheme. However, the capital increase from contingent capital (section 4b of the Articles of Association) had not been registered with the Register of Companies *(Handelsregister)* until 31 December 2007, since the new shares have to be "submitted for registration with the Register of Companies only within one month after the end of the business year", pursuant to section 201 (1) of the German Stock Corporation Act *(Aktiengesetz – AktG)*. Upon registration of the capital increase with the Register of Companies on 13 February 2008, the issue price was included in the issued share capital at an amount of €1,279,763.58 and in the capital reserve at an amount of €5,305,629.42.

Of the total amount of options granted between 2003 and 2007 (154,428), an aggregate amount of 121,130 options was exercised under the "DVB shares" employee participation scheme. The "DVB shares" scheme expired upon the exercise of options in 2007 and will be replaced by DVB's Long-Term Incentive Plan (LTI) in 2008.

Under the LTI programme, a bonus will be paid to employees who were employed by the Company as at a particular date. This bonus will be disbursed after a predetermined waiting period, provided that the target results are achieved in the year prior to disbursement. The indicator used for this programme is RoE (Return on Equity), as previously for the "DVB shares" scheme.

Notes to the consolidated income statement

18. Net interest income

Net interest income can be broken down as follows in the year under review:

€ mn	2007	2006	%
Interest income from			
lending and money market transactions	701.5	602.5	16.4
bonds and other fixed-income securities	5.6	6.5	–13.9
operating leases	67.8	57.4	18.1
current income from finance leases	5.0	21.7	–77.0
Current income from			
equities and other non-fixed-income securities	0.0	2.2	–
equity investments and other investment securities	17.5	9.0	94.4
Total interest income	**797.4**	**699.3**	**14.0**
Interest expenses for			
deposits	398.3	366.4	8.7
securitised liabilities	144.4	113.8	26.9
subordinated liabilities	38.4	32.5	18.2
operating leases	26.4	27.1	–2.6
Total interest expenses	**607.5**	**539.8**	**12.5**
Total net interest income	**189.9**	**159.5**	**19.1**

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 €3 million (2006: expense of €0.5 million), which is reported in the item "Interest income from lending and money market transactions". This compares with a correspondingly higher interest income from US-dollar loans.

Interest income from financial instruments not measured at fair value through profit or loss amounts to €706.4 million (2006: €608.0 million), and interest expense amounts to €571.2 million (2006: €467.9 million).

Net interest income includes interest income in the amount of €13.9 million (2006: €5.8 million) attributable to impaired loans and advances.

19. Impairment losses on loans and advances

The impairment losses on loans and advances changed as follows:

€ mn	**2007**	2006	%
Additions	40.0	39.7	0.8
Reversals	20.6	12.6	63.5
Direct write-offs	1.0	1.0	0.0
Recoveries on loans and advances previously written off	0.1	0.3	–66.7
Total	**20.3**	**27.8**	**–27.0**

The distribution of impairment losses on loans and advances by business division is described in the Risk Report of the Management Report.

20. Net fee and commission income

Net fee and commission income can be broken down as follows in the year under review:

€ mn	2007	2006	%
Fee and commission income from			
payment transactions	1.2	0.7	71.4
guarantees and indemnities	2.3	1.5	53.3
the lending business	75.2	62.5	20.3
Other fee and commission income	14.0	14.0	0.0
Total fee and commission income	**92.7**	**78.7**	**17.8**
Fee and commission expenses from			
the securities business	0.0	0.0	–
payment transactions	0.3	0.2	50.0
guarantees and indemnities	1.2	1.3	–7.7
the lending business	1.3	2.6	–50.0
Other fee and commission expenses	5.1	2.1	–
Total fee and commission expenses	**7.9**	**6.2**	**27.4**
Total net fee and commission income	**84.8**	**72.5**	**17.0**

To the extent that interest for irrevocable loan commitments was received, such interest 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 €75.2 million (2006: €62.5 million), and fee and commission expenses amounts to €1.3 million (2006: €2.6 million).

21. 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	**2007**	2006	%
Net trading income	–6.2	–1.3	–
Hedge result	–3.8	–1.7	–
Result from the application of the fair value option	0.4	1.7	–79.5
Result from derivatives entered into without intention to trade	–1.4	8.5	–
Net income from investment securities	17.1	5.7	–
Net income from financial instruments in accordance with IAS 39	**6.1**	**12.9**	**–52.7**

21.1 Net trading income

Net trading income can be broken down as follows in the year under review:

€ mn	**2007**	2006	%
Net trading income from			
Derivatives	–3.0	–3.6	–16.7
Foreign currency transactions	–4.8	0.5	–
Interest and dividend payments	1.3	1.8	–27.8
Other	0.3	0.0	–
Total	**–6.2**	**–1.3**	**–**

A result from re-measurement reported in net trading income amounting to €–6.2 million (prior year: €–1.3 million) was determined on the basis of measurement models.

21.2 Hedge result (hedge accounting)

The hedge result can be broken down as follows in the year under review:

€ mn	**2007**	2006	%
Result from re-measurement			
Result from derivatives	–136.3	–155.4	–12.3
Result from hedged items	132.5	153.7	–13.8
Result from re-measurement	**–3.8**	**–1.7**	**–**
Realised result	0.0	0.0	–
Total	**–3.8**	**–1.7**	**–**

Changes in the fair value of hedging instruments used in cash flow hedges were recognised directly in equity, to the extent that such changes relate to the effective portion of the hedging relationship, or in the result from re-measurement of derivatives, to the extent that such changes relate to the ineffective portion of the hedge.

The entire result from remeasurement of hedging relationships, amounting to €–3.8 million (2006: €–1.7 million), was determined on the basis of measurement models.

21.3 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 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	**2007**	2006	%
Items designated as at fair value through profit or loss			
Loans and advances	3.9	8.9	–56.2
Securitised liabilities and subordinated loans	0.3	0.5	–40.0
Economic derivative hedging instruments	–3.8	–7.7	–50.7
Total	**0.4**	**1.7**	**–76.5**

The entire remeasurement result from the application of the fair value option, amounting to €0.4 million (2006: €1.7 million), was determined on the basis of measurement models.

21.4 Result from derivatives entered into without intention to trade

The result from derivatives entered into without intention to trade includes results from remeasurement of economic derivative hedging instruments which are not part of an effective hedging relationship with regard to transactions in the banking book in accordance with IAS 39.

€ mn	**2007**	2006	%
Interest-rate derivatives	–1.4	8.5	–
Total	**–1.4**	**8.5**	**–**

The entire result from remeasurement of derivatives entered into without intention to trade, amounting to €–1.4 million (2006: €8.5 million), was determined on the basis of measurement models.

21.5 Net income from investment securities

Net income from investment securities can be broken down as follows in the year under review:

€ mn	2007	2006	%
Result from			
investment securities measured at amortised cost	0.2	1.0	–80.0
investment securities available for sale	16.9	9.5	77.9
equity investments	0.0	–4.8	–
Total	**17.1**	**5.7**	**–**

Net income from investment securities for the business year 2007, as well as for the prior year, does not include results from remeasurement arising from the application of measurement models.

22. Result from investments in companies accounted for using the equity method

The result from investments in companies accounted for using the equity method can be broken down as follows in the business year 2007:

€ mn	2007	2006	%
Result from investments accounted for using the equity method			
Interests in joint ventures	3.7	4.5	–17.8
Investments in associates	0.0	–0.5	–
Total	**3.7**	**4.0**	**–7.5**

23. General administrative expenses

General administrative expenses were as follows in the year under review:

€ mn	**2007**	2006	%
Staff expenses			
Wages and salaries	74.3	58.8	26.4
Social security contributions	5.5	5.0	10.0
Expenses for pensions and other employee benefits	8.2	7.6	7.9
Total staff expenses	**88.0**	**71.4**	**23.3**
Non-staff expenses			
Expenses for hired workers	1.5	1.1	36.4
Contributions and fees	4.6	5.7	–19.3
Legal and auditing fees	7.2	5.7	26.3
Other advisory services (incl. IT advisory)	9.1	9.4	–3.2
IT costs	1.3	1.2	8.3
Occupancy expenses	10.6	8.5	24.7
Procurement of information	2.3	2.4	–4.2
Public relations	0.4	0.2	100.0
Ancillary labour costs	10.5	9.1	15.4
Other non-staff expenses	6.9	4.3	60.5
Total non-staff expenses	**54.4**	**47.6**	**14.3**
Depreciation, amortisation, impairment and write-ups			
Property and equipment, and investment property	3.2	3.4	–5.9
Intangible assets	1.8	3.0	–40.0
Total depreciation, amortisation, impairment and write-ups	**5.0**	**6.4**	**–21.9**
Total general administrative expenses	**147.4**	**125.4**	**17.5**

Legal and auditing fees include fees for auditors in the amount of €1.2 million (2006: €1.3 million). These fees are comprised of the following individual items:

€ mn	**2007**	2006	%
Auditing fees	1.0	1.0	–
Other testation and valuation services	0.0	0.1	–
Tax advisory services	0.1	0.1	–
Other services	0.1	0.1	–
Total fees for auditors	**1.2**	**1.3**	**–7.7**

24. Net other operating income

Net other operating income was as follows:

€ mn	2007	2006	%
Income from			
the disposal of property and equipment, and investment property	2.5	0.7	–
rents	0.8	1.0	–20.0
the reversal of provisions	2.6	8.8	–
the recovery of taxes not related to income	0.3	0.3	–
Miscellaneous other operating income	7.9	1.7	–
Total other operating income	**14.1**	**12.5**	**12.8**
Losses from the disposal of property and equipment, and investment property	0.8	1.4	–42.9
Expenses for additions to provisions	0.0	–1.1	–
Cost of loss absorption	0.0	0.2	–
Expenses for taxes not related to income	0.6	0.3	–
Miscellaneous other operating expenses	10.8	5.9	83.1
Total other operating expenses	**12.2**	**6.7**	**82.1**
Total net other operating income	**1.9**	**5.8**	**–67.2**

25. Income taxes

Income taxes were as follows in the year under review:

€ mn	2007	2006	%
Current income taxes			
for the current year	–18.9	–12.6	50.0
for prior years	0.0	0.7	–
Deferred income taxes			
from temporary differences	7.9	–1.1	–
Total income taxes	**–11.0**	**–13.0**	**–15.4**

The following reconciliation shows the relationship between the expected tax expense and the actual tax expense:

€ mn	**2007**	2006	%
Profit before tax	118.7	101.5	17.0
Tax rate in the Group (%)	40.9	40.9	–
Expected income tax expense	**48.5**	**41.5**	**17.0**
Tax effects on permanent differences	2.8	–17.7	–
Tax rate differences with regard to earnings components that are subject to taxation in other countries	32.2	40.1	–19.7
Tax decreases/increases due to changes in tax rates	2.5	–0.1	–
Unrecognised deferred tax assets on tax loss carryforwards	0.0	5.5	–
Current tax expense/income relating to prior periods	0.0	0.7	–
Total tax effects	**37.5**	**28.5**	**31.6**
Income taxes	**–11.0**	**–13.0**	**–15.4**
Reported income taxes			
Current taxes	–18.9	–11.9	58.8
Deferred taxes	7.9	–1.1	–
Total	**–11.0**	**–13.0**	**–15.4**

The expected tax rate for the Group is composed of the corporate income tax rate of 25%, which is currently applicable in Germany, plus a solidarity surcharge of 5.5% as well as an average trade tax rate of 19.68%. Taking into account the deductibility of trade taxes from the corporate income tax, the Group's tax rate amounts to 40.86% (2006: 40.86%).

The corporate income tax rate applicable in Germany will be reduced from 25% to 15% pursuant to the German Act on the Business Tax Reform 2008, which came into force on 17 August 2007. Beside other changes related to trade tax, the tax reform will result in a reduction of the overall tax rate from 40.86% to 32.98% as at 1 January 2008.

In accordance with the provisions of IAS 12, deferred taxes are measured as at the balance sheet date using the tax rates expected to be applicable as at the time of realisation. The reduction of the relevant tax rate for the business year 2007 results in a deferred tax income in the amount of €2.5 million.

26. Segment reporting

26.1 General information on segment reporting

The segment report for the DVB Group is prepared in accordance with IFRS 8, which is required to be applied for the first time for business years beginning on or after 1 January 2009. However, DVB uses the option provided by IFRS 8 with respect to first-time application for the business year 2007. The prior-year figures were adjusted, if necessary.

The segment report of DVB is prepared based upon the internal management report system, and thus follows the "management approach" required by IFRS 8. Accordingly, external reporting has to present that segment information which is also used for controlling the company and for reporting to its chief operating decision makers.

26.2 Segmentation, reconciliation and consolidation

DVB focuses on its core segments: Shipping, Aviation, Land Transport Finance and Investment Management. These segments are shown under the Transport Finance segment in order to provide supplementary information. The other activities, reconciliation items, as well as amounts from consolidation adjustments, are reported under "Other/Reconciliation/Consolidation".

The segments Shipping, Aviation and Land Transport include the traditional Structured Asset Financing activities that are part of each of these transport sectors. The traditional business with collateralised loans is supplemented with advisory services and complex structured financings. Each segment has its own risk management and research functions.

The Investment Management segment comprises all fund management activities as well as transactions where DVB holds a stake in the equity capital of companies.

In the business year 2007, the former Corporate Finance & Capital Market Products segment was discontinued and the advisory, securitisation and capital market activities were allocated to the business division Shipping, while the fund management activities were merged with the Investment Management division.

The other, smaller activities of DVB and those business areas that are intended to be discontinued (D-Marketing and Transport Infrastructure Finance) are included in the column "Other/Reconciliation/Consolidation". In addition, this segment includes those investments that are not allocated to the operating entities, as well as income from treasury transactions related to liquidity and capital structure management. It also includes the central support and management functions, as well as significant overheads which DVB does not allocate to the operating entities. 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, with the corresponding data from external financial reporting, as well as amounts from consolidation adjustments.

26.3 Segment results by region

DVB manages its business activities exclusively by business divisions. 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 inappropriately high effort to collect data.

26.4 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 the 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, since central functions are responsible for such transactions. Only in exceptional cases do business divisions cause such transactions to be performed (Investment Management).

Inter-segmental, 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, internal service relationships only exist to an insignificant degree, consolidation adjustments are necessary only in an insignificant amount. They are reported under "Other/Reconciliation/Consolidation". In accordance with IFRS 8.23, gross interest income (before deduction interest expense) is not disclosed; this is due to the fact that the majority of revenues generated by the various segments are from interest, and internal management processes are based on net interest income.

Investment income of equity capital is allocated to net interest income of the relevant segment in relation to the average allocated equity. The interest rate used is a market rate which is typical for the refinancing of DVB; allocation of capital is based on risk-weighted assets.

The assets of DVB's segments exclusively comprise risk-weighted assets. These will be calculated in accordance with *Grundsatz I* pursuant to the German Banking Act *(Kreditwesengesetz)* (Basel I). Transition to the so-called Basel II approach is planned.

The success of each segment is determined on the basis of pre-tax earnings (result from ordinary activities) as well as the return on equity and cost/income ratio indicators.

€ mn	Group		Transport Finance		Shipping		Aviation		Land Transport		Investment Management		Other/ Reconciliation/ Consolidation	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Net interest income after loan losses	169.6	131.7	146.1	120.8	62.7	46.7	45.8	33.7	6.2	9.0	31.4	31.4	23.5	10.9
Net interest income	189.9	159.5	160.3	143.8	71.0	54.5	48.2	48.9	9.7	9.0	31.4	31.4	29.6	15.7
Impairment losses on loans and advances	–20.3	–27.8	–14.2	–23.0	–8.3	–7.8	–2.4	–15.2	–3.5	0.0	0.0	0.0	–6.1	–4.8
Net fee and commission income	84.8	72.5	78.9	61.9	60.7	41.5	21.1	19.4	2.2	2.5	–5.1	–1.5	5.9	10.6
Net income from financial instruments in accordance with IAS 39	6.1	12.9	17.5	5.0	3.5	1.3	1.3	0.0	0.4	0.0	12.3	3.7	–11.4	7.9
Result from investments in companies accounted for using the equity method	3.7	4.0	3.7	4.0	0.0	0.0	0.0	0.0	0.0	0.0	3.7	4.0	0.0	0.0
Net other operating income/expenses	1.9	5.8	–0.2	–5.4	–2.1	0.2	1.4	–0.1	0.3	0.3	0.2	–5.8	2.1	11.2
Income	**266.1**	**226.9**	**246.0**	**186.3**	**124.8**	**89.7**	**69.6**	**53.0**	**9.1**	**11.8**	**42.5**	**31.8**	**20.1**	**40.6**
General administrative expenses	–147.4	–125.4	–59.3	–53.3	–31.1	–26.3	–12.2	–9.2	–3.1	–2.9	–12.9	–14.9	–88.1	–72.1
Staff expenses	–88.0	–71.4	–42.8	–36.4	–25.5	–21.1	–8.8	–7.3	–2.6	–2.4	–5.9	–5.6	–45.2	–35.0
Non-staff expenses incl. depreciation/amortisation/ impairment	–59.4	–54.0	–16.5	–16.9	–5.6	–5.2	–3.4	–1.9	–0.5	–0.5	–7.0	–9.3	–42.9	–37.1
Result from ordinary activities before tax	**118.7**	**101.5**	**186.7**	**133.0**	**93.7**	**63.4**	**57.4**	**43.8**	**6.0**	**8.9**	**29.6**	**16.9**	**–68.0**	**–31.5**
Risk-weighted assets (average)	**11,815.7**	**10,427.6**	**10,732.1**	**9,307.8**	**6,388.7**	**5,070.0**	**3,125.2**	**3,072.2**	**921.2**	**867.0**	**297.0**	**298.6**	**1,083.6**	**1,119.8**
Capital (average)	**588.7**	**513.5**	**534.7**	**458.4**	**318.3**	**249.7**	**155.7**	**151.3**	**45.9**	**42.7**	**14.8**	**14.7**	**54.0**	**55.1**
Cost/income ratio (without impairment losses on loans and advances)	**51.2%**	**48.9%**	**22.7%**	**25.3%**	**23.4%**	**27.0%**	**16.9%**	**13.5%**	**24.6%**	**24.6%**	**29.3%**	**44.8%**	**335.7%**	**158.7%**
Return on equity (before taxes)	**20.4%**	**20.1%**	**35.2%**	**29.3%**	**29.4%**	**25.4%**	**36.9%**	**28.9%**	**13.1%**	**20.8%**	**209.9%**	**125.0%**	**–125.8%**	**–57.1%**

Notes to the balance sheet

27. Cash and balances with the central bank

€ mn	2007	2006	%
Balance with central banks	276.6	163.0	69.7
Total	**276.6**	**163.0**	**69.7**

This item includes a minimum reserve requirement in the amount of €36.0 million (2006: €29.3 million).

28. Loans and advances to banks

€ mn	2007	2006	%
Loans and advances	146.8	138.2	6.2
thereof: payable on demand	127.4	117.7	8.2
thereof: with a limited term	19.4	20.5	–5.4
Money market transactions	1,371.9	462.5	–
thereof: payable on demand	66.9	177.5	–62.3
thereof: with a limited term	1,305.0	285.0	–
Other loans and advances to banks	0.1	0.0	–
Total	**1,518.8**	**600.7**	**–**
German banks	1,208.4	243.7	–
Foreign banks	310.4	357.0	–13.1
Total	**1,518.8**	**600.7**	**–**

29. Loans and advances to customers

€ mn	2007	2006	%
Loans and advances	10,098.8	9,335.9	8.2
thereof: payable on demand	83.4	105.6	–21.0
thereof: with a limited term	10,015.4	9,230.3	8.5
Money market transactions	16.7	3.3	–
thereof: payable on demand	16.7	3.3	–
thereof: with a limited term	0.0	0.0	–
Other loans and advances to customers	9.2	0.0	–
Total	**10,124.7**	**9,339.2**	**8.4**
German customers	1,135.0	1,048.5	8.3
Foreign customers	8,989.7	8,290.7	8.4
Total	**10,124.7**	**9,339.2**	**8.4**

Loans and advances include items with a carrying amount of €13.2 million (2006: €17.1 million). These loans and advances are measured at fair value through profit or loss under the fair value option.

As at 31 December 2007, the Company had finance leases for ships, shipping containers, airplanes and aircraft 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 €191.3 million (2006: €263.1 million). As at 31 December 2007, there were no lease payments outstanding.

€ mn	**2007**	2006	%
Total lease payments	249.1	349.7	–28.8
Guaranteed residual value	8.3	56.3	–85.3
Gross investment value	257.4	406.0	–36.6
thereof: within 1 year	30.0	51.4	–41.6
thereof: within 1 to 5 years	116.9	201.3	–41.9
thereof: after more than 5 years	110.5	153.3	–27.9
Total gross investment	**257.4**	**406.0**	**–36.8**
Less unearned finance income	66.1	142.9	–53.7
Total net investment	**191.3**	**263.1**	**–27.3**
thereof: within 1 year	30.0	51.4	–41.6
thereof: within 1 to 5 years	80.2	123.2	–34.9
thereof: after more than 5 years	81.1	88.5	–8.4

30. Allowances for losses on loans and advances

The allowance for losses on loans and advances 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**	
	2007	2006	**2007**	2006	**2007**	2006
Balance as at 1 Jan	123.7	115.0	7.0	5.9	130.7	120.9
Additions	39.7	37.7	1.2	3.0	40.9	40.7
Reversals	52.1	23.6	0.2	1.9	52.3	25.5
thereof: utilised	31.8	13.9	–	–	31.8	13.9
thereof: released	20.3	9.7	0.2	1.9	20.5	11.6
Changes in consolidated group and other adjustments	–	–	–	–	–	–
Changes resulting from exchange rate fluctuations	–6.1	–5.4	–	–	–6.1	–5.4
Balance as at 31 Dec	**105.2**	**123.7**	**8.0**	**7.0**	**113.2**	**130.7**

The allowance for losses on loans and advances of €113.2 million (2006: €130.7 million) exclusively relates to loans and advances to customers.

The distribution of the allowance for losses on loans and advances by business division is described in the risk report.

31. Positive fair values of derivative hedging instruments

€ mn	**2007**	2006	%
Hedging instruments with positive fair values			
Interest rate products	100.2	168.6	–40.6
Currency-related products	11.6	4.2	–
Total	**111.8**	**172.8**	**–35.3**

32. Financial assets held for trading

€ mn	**2007**	2006	%
Derivative financial instruments with positive fair values			
Interest rate products	43.2	43.8	–1.4
Currency-related products	104.5	53.0	97.2
Other products	2.1	0.0	–
Total	**149.8**	**96.8**	**54.8**

33. Investment securities

€ mn	2007	2006	%
Bonds and other fixed-income securities	116.0	117.9	–1.6
thereof: bonds and notes	116.0	117.9	–1.6
Equities and other non-fixed-income securities	21.5	29.1	–26.1
Equity investments	52.8	73.2	–27.9
Shares in unconsolidated, affiliated companies	0.0	1.7	–
Total	**190.3**	**221.9**	**–14.2**

Equity investments also include equity instruments measured at cost in an amount of €52.8 million (2006: €67.1 million). Market prices could not be identified on an active market, and fair values could not be reliably estimated for these instruments.

Gains/losses from the disposal of equity instruments measured at cost were recognised in profit or loss in the amount of €0 million (2006: €1.0 million).

34. Investments in companies accounted for using the equity method

€ mn	2007	2006	%
Investments in associates	24.3	17.7	37.3
Interests in joint ventures	10.4	30.4	–65.9
Total	**34.7**	**48.1**	**–27.9**

Investments in associates as well as interests in joint ventures exclusively relate to equity investments held by NFC Shipping Funds and Deucalion Aviation Funds.

35. Intangible assets

€ mn	2007	2006	%
Goodwill	84.3	78.5	7.4
Other intangible assets	5.2	3.5	48.6
Total	**89.5**	**82.0**	**9.2**

Goodwill increased as a result of the acquisition of TES Aviation Group.

36. Property and equipment

€ mn	2007	2006	%
Land and buildings	7.5	5.1	47.1
Investment property	0.0	6.7	–
Operating and office equipment	4.6	4.2	9.5
Assets held under operating leases	673.4	451.5	49.2
Other property and equipment	2.2	1.5	46.7
Total	**687.7**	**469.0**	**46.6**

As at 31 December 2007, Group companies were lessors for ships, aircraft, aircraft engines and shipping containers provided under operating leases. The lease term was six to ten years for ships, three to 21 years for aircraft, one to seven years for aircraft engines, and eleven years for shipping containers.

During the year under review, borrowing costs for qualifying assets in operating leases in accordance with IAS 23 were capitalised in the amount of €1.1 million (2006: €0 million). In addition, payments of agency commissions and legal fees in the amount of €4.0 million (2006: €0 million) were included in the cost.

The sum of future minimum lease payments as at 31 December 2007 is as follows:

€ mn	2007	2006	%
Total future minimum lease payments			
due within 1 year	56.3	58.2	–3.3
due within 1 to 5 years	217.8	186.8	16.6
due after more than 5 years	100.2	64.8	54.6
Total	**374.3**	**309.8**	**20.8**

37. 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. In the DVB Group, the cash-generating units correspond to the business divisions.

Goodwill, which is reported under intangible assets at the DVB Group, mainly results from the acquisition of DVB Bank N.V. (formerly: Nedship Bank N.V.). As a result, this goodwill was allocated to the Shipping business division. The impairment test performed as at the balance sheet date did not result in any write-down for impairment to be recognised.

Intangible assets include internally-generated assets with a carrying amount of €0.7 million (2006: €0.9 million).

€ mn	Cost as at 1 Jan	Additions at cost	Disposals at cost	Reclassi-fications	Exchange rate changes	Cost as at 31 Dec	Write-ups
Land and buildings	9.7	0.4	0.0	0.0	0.0	10.1	0.0
Investment property	4.8	0.0	4.8	0.0	0.0	0.0	0.0
Operating and office equipment	17.5	2.4	0.9	0.3	0.0	19.3	0.0
Leased assets	496.7	442.8	157.2	–14.9	–51.7	715.7	0.0
Other property and equipment	1.5	1.8	12.3	12.4	–1.2	2.2	1.6
Intangible assets (excl. goodwill)	14.9	1.8	7.6	2.2	0.0	11.3	0.0
Goodwill	78.5	8.6	2.8	0.0	0.0	84.3	0.0
Total	**623.6**	**457.8**	**185.6**	**0.0**	**–52.9**	**842.9**	**1.6**

Depreciation and amortisation	Depreciation, amortisation and impairment from prior year	Depreciation, amortisation and impairment disposals	Depreciation, amortisation and impairment – exchange rate changes	Cumulative depreciation, amortisation, impairment and write-ups	**Carrying amount as at 31 Dec**	Carrying amount as at 31 Dec prior year
0.2	2.4	0.0	0.0	2.6	7.5	7.3
0.1	0.3	0.4	0.0	0.0	0.0	4.5
2.2	13.3	0.8	0.0	14.7	4.6	4.2
24.9	45.2	22.8	–5.0	42.3	673.4	451.5
0.6	0.0	–1.3	–0.3	0.0	2.2	1.5
2.2	11.4	7.5	0.0	6.1	5.2	3.5
0.0	0.0	0.0	0.0	0.0	84.3	78.5
30.2	**72.6**	**30.2**	**–5.3**	**65.7**	**777.2**	**551.0**

38. Income tax assets

€ mn	**2007**	2006	%
Current income tax assets			
Germany	0.1	0.6	–83.3
Foreign countries	2.9	1.3	–
Deferred income tax assets			
Temporary differences	36.3	20.6	76.2
Loss carryforwards	0.0	0.0	–
Total	**39.3**	**22.5**	**74.7**

No deferred tax assets were recognised in the Group on tax loss carryforwards in the amount of €20.3 million (2006: €36.7 million), since DVB expects that it will not necessarily generate taxable profits in the countries in which the tax loss carryforwards exist.

Deferred tax assets were recognised for the following balance sheet items:

€ mn	**2007**	2006	%
Financial assets held for trading	30.5	0.0	–
Loans and advances to banks and customers, incl. allowances for losses on loans and advances	0.2	3.6	–94.4
Deposits from customers and other banks	1.5	9.0	–83.3
Securitised liabilities	0.1	0.0	–
Provisions	2.9	0.0	–
Other balance sheet items	1.1	8.0	–86.3
Total	**36.3**	**20.6**	**76.2**

39. Other assets

€ mn	**2007**	2006	%
Other tax receivables	1.2	1.2	–
Advance payments and prepaid expenses	3.3	1.1	–
Miscellaneous other assets	40.0	11.5	–
Total	**44.5**	**13.8**	**–**

40. Deposits from other banks

€ mn	2007	2006	%
Loans and advances	2,719.7	1,336.3	–
thereof: payable on demand	40.6	54.6	–25.6
thereof: with a limited term	2,679.1	1,281.7	–
Money market transactions	1,336.3	1,218.5	9.7
thereof: payable on demand	551.0	86.9	–
thereof: with a limited term	785.3	1,131.6	–30.6
Other deposits from other banks	1.9	0.0	–
Total	**4,057.9**	**2,554.8**	**58.8**
German banks	3,378.7	1,871.3	80.6
Foreign banks	679.2	683.5	–0.6
Total	**4,057.9**	**2,554.8**	**58.8**

Deposits from other banks also include such loans and advances with a total carrying amount of €78.7 million (2006: €117.4 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 is €1.9 million (2006: €3.6 million) as at the balance sheet date.

41. Deposits from customers

€ mn	2007	2006	%
Loans and advances	4,042.1	3,685.8	9.7
thereof: payable on demand	277.3	206.1	34.6
thereof: with a limited term	3,764.8	3,479.7	8.2
Money market transactions	306.5	347.6	–11.8
thereof: payable on demand	53.0	6.2	–
thereof: with a limited term	253.5	341.4	–25.8
Other deposits from customers	13.7	0.0	–
Total	**4,362.3**	**4,033.4**	**8.2**
German customers	3,507.4	3,213.1	9.2
Foreign customers	854.9	820.3	4.2
Total	**4,362.3**	**4,033.4**	**8.2**

Deposits from customers also include such loans and advances with a total carrying amount of €86.4 million (2006: €88.4 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 is €2.1 million (2006: €4.0 million) as at the balance sheet date.

42. Securitised liabilities

€ mn	2007	2006	%
Commercial paper	450.5	848.6	–46.9
Bearer bonds	2,481.3	2,180.9	13.8
Total	**2,931.8**	**3,029.5**	**–3.2**

43. Negative fair values of derivative hedging instruments

€ mn	2007	2006	%
Hedging instruments with negative fair values			
Interest rate products	125.8	59.0	–
Currency-related products	0.0	0.0	–
Total	**125.8**	**59.0**	**–**

44. Financial liabilities held for trading

€ mn	2007	2006	%
Derivative financial instruments with negative fair values			
Interest rate products	45.3	31.3	44.7
Currency-related products	4.8	16.1	–70.2
Other products	2.1	0.0	–
Total	**52.2**	**47.4**	**10.1**

45. Provisions

€ mn	2007	2006	%
Provisions for pensions and similar obligations	21.7	21.9	–0.9
Other provisions	73.8	35.7	–
Total	**95.5**	**57.6**	**65.8**

The pension commitments agreed upon with DVB Bank AG employees generally depend upon the period of service and salaries. They 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.

The pension commitments agreed upon with employees of DVB Bank AG 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 pension obligations changed during the year under review as follows:

€ mn	**2007**	2006	%
Present value of the pension obligations as at 1 Jan (DBO)	34.9	34.2	2.1
Plan assets	–13.0	–11.3	15.0
Unrecognised actuarial gains/losses	0.0	0.0	–
Unrecognised past service cost	0.0	0.0	–
Carrying amount of pension provisions as at 1 Jan	**21.9**	**22.9**	**–4.5**
Change in the year under review			
Service cost	0.2	1.5	–86.7
Interest expense	1.6	1.2	33.3
Effects of plan adjustments	0.0	0.0	–
Return on plan assets	–0.7	–0.3	–
Actuarial gains and losses			
recognised in the income statement	0.0	0.0	–
recognised directly in equity	0.6	–0.7	–
Benefits paid	–1.9	–2.7	–29.6
Carrying amount of pension provisions as at 31 Dec	**21.7**	**21.9**	**–1.1**
Present value of the pension obligations as at 31 Dec (DBO)	35.6	34.9	2.0
Plan assets	–13.9	–13.0	6.9
Unrecognised actuarial gains/losses	0.0	0.0	–
Unrecognised past service cost	0.0	0.0	–
Carrying amount of pension provisions as at 31 Dec	**21.7**	**21.9**	**–0.9**

The interest cost of €1.6 million (2006: €1.2 million) is recorded under personnel expenses.

The calculation of the present value of the pension obligations is based on the following actuarial assumptions:

%	**2007**	2006
Interest rate	4.75	4.25
Expected salary increase	4.00	2.50
Pension increase	2.00	1.75

In the business year 2007, the Company used the "Richttafeln 2005 G" mortality tables, by Prof. Klaus Heubeck, for the measurement of the pension provisions related to the employees of DVB Bank AG.

Other provisions in the Group are as follows:

€ mn	**2007**	2006	%
Asset retirement obligations	1.0	1.0	0.0
Lending business	0.4	0.8	–50.0
Bonuses	28.9	20.5	41.0
Miscellaneous other provisions	43.5	13.4	–
Total	**73.8**	**35.7**	**–**

The increase in miscellaneous other provisions largely reflects provisions recognised for maintenance work and bonus payments.

The provisions changed during the year under review as follows:

€ mn	Balance as at 1 Jan	Utilisation	Reversal	Addition	Reclassification	Changes in consolidated group	**Balance as at 31 Dec**
Asset retirement obligations	1.0	0.0	0.0	0.0	0.0	0.0	1.0
Lending business	0.8	0.0	–0.6	0.2	0.0	0.0	0.4
Bonuses	20.5	–21.3	–0.1	29.8	0.0	0.0	28.9
Miscellaneous other provisions	13.4	–31.3	–1.6	63.0	0.0	0.0	43.5
Total	**35.7**	**–52.6**	**–2.3**	**93.0**	**0.0**	**0.0**	**73.8**

Distribution of the provisions for losses on loans and advances by business division is described in the risk report.

46. Income tax liabilities

€ mn	**2007**	2006	%
Current income tax liabilities	35.5	17.0	–
Deferred income tax liabilities	35.8	25.3	41.5
Total	**71.3**	**42.3**	**68.6**

Deferred tax liabilities were recognised for the following balance sheet items:

€ mn	2007	2006	%
Loans and advances to banks and customers, incl. allowances for losses on loans and advances	5.8	1.0	–
Financial assets held for trading and hedging instruments	4.0	19.4	–79.4
Investment securities	0.2	0.5	–60.0
Property and equipment	1.1	2.3	–52.2
Deposits from customers and other banks	23.1	0.0	–
Provisions	1.2	2.1	–42.9
Other balance sheet items	0.4	0.0	–
Total	**35.8**	**25.3**	**41.5**

47. Other liabilities

€ mn	2007	2006	%
Other tax liabilities	2.0	1.5	33.3
Miscellaneous other liabilities	36.9	31.7	16.4
Total	**38.9**	**33.2**	**17.2**

48. Subordinated liabilities

€ mn	2007	2006	%
Subordinated promissory note loans	564.8	475.2	18.9
Subordinated bearer bonds	60.8	61.9	–1.8
Total	**625.6**	**537.1**	**16.5**

Subordinated liabilities also include such subordinated promissory note loans with a total carrying amount of €10.2 million (2006: €10.5 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 €0.1 million (2006: €0.5 million) as at the balance sheet date.

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.

49. Equity

Equity can be broken down as follows:

€ mn	**2007**	2006	%
Issued share capital	99.7	99.5	0.2
Capital reserve	195.8	199.4	–1.8
Retained earnings	456.7	369.9	23.5
Revaluation reserve	7.2	20.4	–64.7
Hedging reserve – cash flow hedges	9.0	3.7	–
Currency translation reserve	3.3	–2.9	–
Distributable profit	20.6	12.5	64.8
Total equity before minority interests	**792.3**	**702.5**	**12.8**
Minority interests	0.9	2.3	–60.9
Equity	**793.2**	**704.8**	**12.5**

49.1 Issued share capital

As at the balance sheet date, the subscribed capital of DVB Bank AG consists of 3,932,677 no-par value bearer shares. An additional 50,060 notional no-par value shares from the last options exercise under the 'DVB shares' employee share ownership programme was registered with the Commercial Register on 13 February 2008, in accordance with section 201 of the German Public Limited Companies Act. Since this point in time, the subscribed capital has comprised 3,982,737 notional no-par value shares.

49.2 Capital reserve

The capital reserve includes the premium from the issuance of shares, incl. subscription rights, exceeding the nominal value or the imputed value.

49.3 Treasury shares

The treasury shares held by DVB Bank AG 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.

49.4 Retained earnings

Retained earnings include the legal reserve, other retained earnings, as well as the fund for general banking risks.

The legal reserve amounts to €1.3 million (2006: €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 measures recognised in profit or loss.

In addition, retained earnings also include the fund for general banking risks, totalling €82.4 million (2006: €82.4 million).

Notes to financial instruments

50. Carrying amounts of financial instruments by measurement categories

€ mn	31 Dec 2007							
		Financial instruments held for trading		Financial instruments 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**

€ mn	31 Dec 2006							
		Financial instruments held for trading		Financial instruments 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	600.7	0.0	0.0
Loans and advances to customers	17.1	0.0	0.0	0.0	0.0	9,191.4	0.0	0.0
Positive fair values of derivative hedging instruments	0.0	0.0	0.0	168.6	4.2	0.0	0.0	0.0
Financial assets held for trading	0.0	0.0	96.8	0.0	0.0	0.0	0.0	0.0
Investment securities	0.0	0.0	0.0	0.0	0.0	4.9	217.0	0.0
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**17.1**	**0.0**	**96.8**	**168.6**	**4.2**	**9,797.0**	**217.0**	**0.0**
Financial liabilities								
Deposits from other banks	117.4	0.0	0.0	0.0	0.0	0.0	0.0	2,437.4
Deposits from customers	88.4	0.0	0.0	0.0	0.0	0.0	0.0	3,945.1
Securitised liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,029.5
Negative fair values of derivative hedging instruments	0.0	0.0	0.0	59.0	0.0	0.0	0.0	0.0
Financial liabilities held for trading	0.0	0.0	47.4	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	10.5	0.0	0.0	0.0	0.0	0.0	0.0	526.6
Total	**216.3**	**0.0**	**47.4**	**59.0**	**0.0**	**0.0**	**0.0**	**9,938.6**

51. Earnings contributions of financial instruments by measurement categories

€ mn	1 Jan 2007 – 31 Dec 2007				
	Recognition in the income statement				Recognition in equity
	Interest result	Impairment losses on loans and advances	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**

€ mn	1 Jan 2006–31 Dec 2006 Recognition in the income statement				Recognition in equity
	Interest result	Impairment losses on loans and advances	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	–11.5			9.4	0.0
Financial assets and liabilities held for trading	–70.8			–0.5	0.0
Loans and receivables	214.6	–27.8	64.8	10.2	0.0
Financial assets available for sale	6.5			5.7	–6.2
Other liabilities	–14.6		0.2	143.5	
Positive and negative fair values of derivative hedging instruments	–10			–155.4	10.2
Total	**114.2**	**–27.8**	**65.0**	**12.9**	**4.0**

52. Changes in expenses and income directly recognised in equity (other comprehensive income)

€ mn	AfS revaluation reserve	Hedging reserve – cash flow hedges	Currency translation reserve
Balance as at 1 Jan 2006	**26.6**	**–1.4**	**–8.0**
Changes due to measurement of assets and liabilities	–6.0	7.7	6.2
Transfer to income statement	0.0	0.0	0.0
Deferred taxes	–0.2	–2.6	0.0
Changes in consolidated group and other changes	0.0	0.0	–1.1
Balance as at 31 Dec 2006	**20.4**	**3.7**	**–2.9**
Changes due to measurement of assets and liabilities	8.4	8.6	6.2
Transfer to income statement	–18.1	–1.8	0.0
Deferred taxes	0.1	–1.5	0.0
Changes in consolidated group and other changes	0.0	0.0	0.0
Balance as at 31 Dec 2007	**7.2**	**9.0**	**3.3**

53. 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 listed on an active market is determined on the basis of accepted valuation models. Non-derivative financial instruments are measured using the discounted cash flow (DCF) method. 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 largely be observed on the market.

The Company did not hold any financial instruments during the business year the fair value of which 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	
	2007	2006	**2007**	2006	**2007**	2006
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	13.2	17.1	0.0	0.0
Financial assets held for trading	0.0	0.0	149.8	96.8	0.0	0.0
Positive fair values of derivative hedging instruments	0.0	0.0	111.8	172.8	0.0	0.0
Investment securities	101.5	109.9	32.6	39.4	0.0	0.0
Total assets	**101.5**	**109.9**	**307.4**	**326.1**	**0.0**	**0.0**
Liabilities						
Deposits from other banks	0.0	0.0	78.7	117.4	0.0	0.0
Deposits from customers	0.0	0.0	86.4	88.4	0.0	0.0
Financial liabilities held for trading	0.0	0.0	52.2	47.4	0.0	0.0
Negative fair values of derivative hedging instruments	0.0	0.0	125.8	59.0	0.0	0.0
Subordinated liabilities	0.0	0.0	10.2	10.5	0.0	0.0
Total liabilities	**0.0**	**0.0**	**353.3**	**322.7**	**0.0**	**0.0**
Total assets and liabilities	**101.5**	**109.9**	**660.7**	**648.8**	**0.0**	**0.0**

54. 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 risk report of the consolidated financial statements, in accordance with the provisions of IFRS 7. This does not apply to the contractual maturity analysis, which is shown below.

55. Maturity groupings and fair values of derivative financial instruments

€ mn	Remaining term to maturity					Fair value	
	up to 1 year	1 to 5 years	more than 5 years	**Total 31 Dec 2007**	Total 31 Dec 2006	**31 Dec 2007**	31 Dec 2006
Interest-rate derivatives with positive fair values							
Interest-rate swaps	23.6	105.4	21.8	150.8	232.2	143.0	211.7
Forward rate agreements	0.0	0.0	0.0	0.0	0.2	0.0	0.2
Interest-rate options	0.0	0.0	0.0	0.0	0.2	0.4	0.3
Interest-rate derivatives with negative fair values							
Interest-rate swaps	–33.5	–106.6	–35.7	–175.8	–90.8	–155.6	–79.8
Forward rate agreements	0.0	0.0	0.0	0.0	–0.2	0.0	–0.2
Interest-rate options	–15.6	0.0	0.0	–15.6	–8.9	–15.5	–9.0
Total interest-rate derivatives	**–25.5**	**–1.2**	**–13.9**	**–40.6**	**132.7**	**–27.7**	**123.2**
Currency-related derivatives with positive fair values							
Forward currency contracts	105.3	0.8		106.1	52.7	106.1	52.7
Currency options	1.3			1.3		1.3	
Cross-currency swaps	6.6	1.7		8.3	2.4	8.7	4.5
Currency-related derivatives with negative fair values							
Forward currency contracts	–2.7	–0.8		–3.5	–16.1	–3.5	–16.1
Currency options	–1.3			–1.3		–1.3	
Cross-currency swaps							
Total currency-related derivatives	**109.2**	**1.7**	**0.0**	**110.9**	**39.0**	**111.3**	**41.1**
Other derivatives with positive fair values	2.1			2.1		2.1	
Other derivatives with negative fair values	–2.1			–2.1		–2.1	
Total other derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**83.7**	**0.5**	**–13.9**	**70.3**	**171.7**	**83.6**	**164.3**

The amounts reported for the individual time bands reflect the undiscounted future cash flows.

56. Fair values of non-derivative financial instruments

€ mn	Fair value		Carrying amount	
	31 Dec 2007	31 Dec 2006	**31 Dec 2007**	31 Dec 2006
Assets				
Cash and balances with the central bank	276.6	163.0	276.6	163.0
Financial assets held for trading (non-derivative)	0.0	0.0	0.0	0.0
Loans and advances to banks	1,518.3	596.9	1.518.8	600.7
Loans and advances to customers	10,369.5	9,656.2	10,011.5	9,208.5
Investment securities (excl. interests in unconsolidated, affiliated companies)	188.2	218.5	190.3	220.2
Total assets	**12,352.6**	**10,634.6**	**11,997.2**	**10,192.4**
Liabilities				
Financial liabilities held for trading (non-derivative)	0.0	0.0	0.0	0.0
Deposits from other banks	4,013.4	2,564.4	4,057.9	2,554.8
Deposits from customers	4,404.4	4,078.1	4,362.3	4,033.4
Securitised liabilities	2,950.2	2,677.7	2,931.7	3,029.5
Subordinated liabilities	625.9	550.7	625.6	537.1
Total liabilities	**11,988.6**	**9,870.9**	**11,977.5**	**10,154.8**

The fair value of derivative financial instruments is presented in conjunction with the maturity groupings of derivative financial instruments.

57. 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	194.3	1,300.6	31.6	0.0	0.0	1,526.5
Loans and advances to customers	100.1	1,025.8	1,516.1	5,562.7	4,984.1	13,188.8
Investment securities	0.0	3.1	5.3	112.8	85.2	206.4
Total	**294.4**	**2,329.5**	**1,553.0**	**5,675.5**	**5,069.3**	**14,921.7**
Deposits from other banks	591.6	588.1	1,069.6	1,487.1	654.6	4,391.0
Deposits from customers	330.3	717.5	246.6	1,389.8	3,387.8	6,072.0
Securitised liabilities	0.0	485.2	875.5	1,845.6	0.0	3,206.3
Subordinated liabilities	0.0	13.5	131.4	346.4	146.5	637.8
Total	**921.9**	**1,804.3**	**2,323.1**	**5,068.9**	**4,188.9**	**14,307.1**

The amounts reported for the individual time bands reflect the undiscounted future cash flows (interest and capital payments).

Other disclosures

58. 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 potentials of profitable growth in international transport finance by means of strengthening liable capital, and to fulfil at any time 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 10a of the KWG, the Group is obliged to ensure an appropriate amount of equity capital in order to fulfil its obligations to customers. In addition, financial institutions are required, on the basis of the solvability principle *(Grundsatz I)*, to quantify their counterparty credit risks as well as their market risks and to ensure that these risk exposures are backed by equity capital.

The calculation of equity capital 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 I and Tier II capital, and Tier III capital. Compared to equity as reported in the balance sheet, which is determined in accordance with the provisions of IFRS, regulatory equity 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 components of regulatory capital are set up as follows:

€ mn	**2007**	2006	2005	2004	2003
Issued share capital	101.8	100.5	99.6	77.6	77.2
Reserves	584.3	481.0	419.4	296.6	270.1
Silent partnership contributions	77.5	77.5	77.5	77.5	77.5
Reserves eligible for inclusion and adjustments in accordance with the KWG	50.9	69.0	67.0	58.2	64.6
Core capital (Tier I)	**814.5**	**728.0**	**663.5**	**509.9**	**489.4**
Subordinated liabilities	336.1	261.3	242.2	200.0	201.0
Profit-participation certificates	75.0	75.0	126.1	126.1	126.1
Reserves eligible for inclusion and adjustments in accordance with the KWG	–32.5	–31.1	–23.5	–15.8	–12.5
Supplementary capital (Tier II)	**378.6**	**305.2**	**344.8**	**310.3**	**314.6**
Tier III funds	**–**	**–**	**–**	**–**	**–**
Own funds as defined by the KWG [1)]	**1,193.1**	**1,033.2**	**1,008.3**	**820.2**	**804.0**

1) Taking into consideration reserves and transfers to reserves from net profit.

59. Subordinated assets

During the year under review, the Company did not hold subordinated assets to any considerable extent.

60. Financial guarantee contracts, contingent liabilities and other commitments

€ mn	2007	2006	%
Financial guarantee contracts			
Guarantees	551.2	287.3	91.9
Contingent liabilities			
Irrevocable loan commitments	3,445.6	2,006.2	71.8
Other commitments	15.7	17.2	–8.7
Total	**4,012.5**	**2,310.7**	**73.6**

Financial guarantee contracts are disclosed at their nominal value.

Other commitments include future minimum lease payments from non-cancellable operating leases.

61. Average number of employees

The average number of employees (excl. TES Group) changed during the year under review as follows:

Employees	2007		2006	
	AG	Group	AG	Group
Women	96	167	100	157
Men	165	261	159	245
Total	**261**	**428**	**259**	**402**

As from the business year 2007, the average number of employees includes employees on parental leave, people doing military or alternative community service and temporary personnel, but does not include trainees and employees in the passive phase of partial retirement *(Altersteilzeit)*. All prior-year figures were adjusted accordingly.

62. Related party disclosures

62.1 Remuneration and shareholdings of Board members

The emoluments paid to Board members during 2007 amounted to:

€'000s	2007	2006
Board of Managing Directors	2,032.2	2,113.9
Supervisory bodies (incl. expenses for taxes of foreign members of the Supervisory Board in the amount of €15.2 thousand)	161.2	135.7
Former members of the Board of Managing Directors and their surviving dependants	423.2	407.6
Total	**2,616.6**	**2,657.2**

62.1.1 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 Company 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. 9a sentences 5-9 of the HGB and section 314 (1) no. 6a sentences 5-9 of the HGB, is not required for a period of five years (financial statements 2006 to 2011).

62.1.2 Remuneration of the Board of Managing Directors

The structure of emoluments of the Board of Managing Directors of DVB Bank AG is based on the Internal Regulations for the Executive Committee of the Supervisory Board, which in turn have been adopted by the Supervisory Board. Accordingly, the overall remuneration of the Board of Managing Directors is composed of a fixed component of 51.2%

and a variable component of 48.8%. The variable component consists of a traditional bonus, as well as stock options as an additional variable component.

The *fixed component* of the remuneration of DVB Bank AG's Board of Managing Directors totalled €1,041,498.05 in 2007 (2006: €1,098,129.27).

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 return on equity and cost/income ratio for the relevant business year, and the other half refers to individual performance of each member of the Board of Managing Directors. The bonus for the current financial 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 €990,750.00 were distributed to the Board of Managing Directors in 2007 (2006: €1,015,750.00).

As an additional variable remuneration component providing a long-term incentive, members of the Board of Managing Directors received, between 2000 and 2004, an annual allocation of free options for the purchase of DVB Shares within the framework of the "DVB shares" employee participation scheme. In this context, the Supervisory Board allocated a number of *free options* for the purchase of DVB Shares at its discretion. The participation programme was limited in time, and ended in 2004. The options could only be exercised after a waiting period of three years (i.e. for the last time in 2007), and only on the condition that DVB's return on equity in the reference year has reached or exceeded a minimum threshold.

The Annual General Meeting in 2000 laid down this threshold for the respective reference year. The exercise price for each option corresponds to the unweighted average closing price of DVB Bank AG's shares on the Frankfurt Stock Exchange in respect of the first five days following expiry of the waiting period, less a discount which increases in proportion to the extent to which the relevant performance goal has been exceeded. The discount can amount to a maximum of 50%. The exercise price is, however, at least equal to the notional share of issued share capital that one share of DVB Bank AG represents.

In the 2007 business year, members of the Board of Managing Directors exercised a total of 2,150 options for the purchase of DVB Bank AG shares. Members of the Board of Managing Directors did not own any options to purchase shares of DVB Bank AG as at 31 December 2007.

62.1.3 Remuneration of the Supervisory Board

The members of the Supervisory Board receive annual remuneration (incl. taxes) of €107,220.00, pursuant to section 18 (2) sentences 3 and 4 of the Articles of Association. The members of the Credit Committee receive additional remuneration (incl. taxes) of €38,735.00, pursuant to section 18 (1) sentence 5 of the Articles of Association, resulting in a total remuneration of €145,955.00.

Remuneration of the members of the Supervisory Board in 2007 is broken down as follows:

€	For Supervisory Board activities					For Credit Committee activities				
	Remuneration on Supervisory Board	VAT	Taxes for membership in a supervisory board	Solidarity surcharge	**Remuneration Supervisory Board**	Remuneration Credit Committee	VAT	Taxes for membership in a supervisory board	Solidarity surcharge	**Remuneration Credit Committee**
		19.0%	30.0%[3]	5.5%[3]	**Total**		19.0%	30.0%[3]	5.5%[3]	**Total**
Shareholder and employee representatives, domiciled in Germany:										
Shareholder representatives:										
Dr. Thomas Duhnkrack, Chairman	20,000.00	3,800.00			23,800.00	10,000.00	1,900.00			11,900.00
Prof. Dr. Manfred Schölch, Deputy Chairman	15,000.00	2,850.00			17,850.00					
Hemjö Klein	10,000.00	1,900.00			11,900.00					
Frank Westhoff[1]	10,000.00				10,000.00	10,000.00				10,000.00
Employee representatives:										
Lutz Baumgartl	10,000.00				10,000.00					
Axel Clemens	10,000.00				10,000.00	10,000.00				10,000.00
Sabine Meyer	10,000.00				10,000.00					
Shareholder representatives, domiciled outside Germany:[2][3]										
Flemming Robert Jacobs, domiciled in Hurstwood, Surrey, UK	10,000.00	1,900.00[2]	3,000.00	165.00	6,835.00					
Robert Jan van der Burg, domiciled in Dublin, Ireland Member of the Credit Committee	10,000.00	1,900.00[2]	3,000.00	165.00	6,835.00	10,000.00	1,900.00[2]	3,000.00	165.00	6,835.00
Supervisory Board and Credit Committee:					**107,220.00**					**38,735.00**
Total – Supervisory Board and Credit Committee:										**145,955.00**

1) Not subject to taxes in 2007.

For Supervisory Board members domiciled outside Germany, the following applies:
2) Value-added tax is declared by DVB Bank AG and paid directly to the responsible tax office.
3) Taxes for membership in supervisory boards and solidarity surcharges for Supervisory Board members domiciled in foreign countries are declared by DVB Bank AG and paid directly to the responsible tax office. Both taxes are deducted from Supervisory Board members' remuneration.

The taxes mentioned in 2) and 3) paid by DVB on behalf of foreign Supervisory Board members to the tax office amount to: **€15,195.00**

62.2 Shareholdings of the Board of Managing Directors and the Supervisory Board

As at 31 December 2007, the members of the Board of Managing Directors held 6,506 shares in DVB Bank AG. The members of the Supervisory Board held 49 shares in DVB Bank AG.

62.3 Pension liabilities to former members of the Board of Managing Directors

€4.59 million (2006: €4.71 million) has been set aside as provisions for pension liabilities to former members of the Board of Managing Directors and their surviving dependants.

62.4 Related companies

With regard to the presentation of the business relationships between DVB Bank AG and DZ BANK AG, we refer to the discussion about related companies included in the report of the Board of Managing Directors.

We maintain standard banking relationships on an arm's length basis with companies related to the DZ BANK Group. There were no loans to officers during the year under review. In addition, we refer to the details provided for in the subordinate status report of DVB Bank AG.

63. Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act

Section 161 of the German Stock Corporation Act *(Aktiengesetz, 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. By means of such a declaration, they undertake that the recommendations of the Code have been and are being complied with, and also comment on exceptions.

DVB Bank AG's Board of Managing Directors and Supervisory Board published their Declaration of Compliance in accordance with section 161 of the Stock Corporation Act on 7 December 2007 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, on 4 May 2007 DVB Bank AG for the first time 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 Company pursuant to the provisions of section 10 of the German Securities Prospectus Act in the period from 1 January to 31 December 2006.

64. Financial statements of DVB Bank AG

DVB Bank AG 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 2007, which was submitted to the Local Court of Frankfurt am Main and which includes DVB Bank AG.

65. Responsibility statement

in accordance with section 37y no. 1 of the German Securities Trading Act *(Wertpapierhandelsgesetz)*, in conjunction with sections 297 (2) sentence 4 and 315 (1) sentence 6 of the German Commercial Code *(Handelsgesetzbuch)*.

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 Group Management Report includes a fair review of the development and performance of the business and the position of the DVB Group, together with a description of the principal opportunities and risks associated with the expected development of the DVB Group.

Frankfurt/Main, 19 March 2008

DVB Bank AG

The Board of Managing Directors

Wolfgang F. Driese 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

Auditors' Report

We have audited the consolidated financial statements prepared by DVB Bank AG, Frankfurt/Main, comprising the balance sheet, the profit and loss statement, statement of recognised income and expense, cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the business year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (HGB) are the responsibility of the company's Board of Managing Directors. 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 section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) in Germany. 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 the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, 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 section 315a (1) of the 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.

Frankfurt/Main, 20 March 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Christian F. Rabeling	ppa. Markus Gröninger
German Public Auditor	German Public Auditor

Distribution of responsibilities of the Board of Managing Directors

The following table provides an overview of the members of the DVB Bank AG'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

D-Marketing
Transport Finance
- Syndications
- Securitisation

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 AG and offices held

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 AG:

Dr Thomas Duhnkrack
Chairman

Prof Dr Manfred Schölch
Deputy Chairman

Flemming Robert Jacobs

Robert Jan van der Burg

Hemjö Klein

Frank Westhoff

Supervisory Board members elected by employees of DVB Bank AG:

Lutz Baumgartl

Axel Clemens

Sabine Meyer

1.3 Supervisory Board Committees

Credit Committee:

Frank Westhoff
Chairman

Dr Thomas Duhnkrack
Deputy Chairman

Robert Jan van der Burg

Axel Clemens
(Deputy Member)

Executive Committee:

Dr Thomas Duhnkrack
Chairman

Prof Dr Manfred Schölch
Deputy Chairman

Lutz Baumgartl
Employee representative

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,	DVB Bank N.V., Rotterdam	Chairman of the Supervisory Board
Bank director	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
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
Dagfinn Lunde		
Bank director	DVB Bank N.V., Rotterdam	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	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 AG:

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
	DZ Equity Partner GmbH, Frankfurt/Main[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, and lawyer	Fraport AG, Frankfurt/Main (until 31 March 2007)	Deputy Chairman of the Management Board
	Flughafen Frankfurt-Hahn GmbH, Frankfurt-Hahn (until 27 March 2007)	Chairman of the Supervisory Board
	Airports Council International Europe (ACI EUROPE), Brussels (until 14 Juni 2007)	President
Flemming Robert Jacobs		
Chief Executive Officer and director (rtd) Neptune Orient Lines, Singapore	DVB Bank N.V., Rotterdam	Member of the Supervisory Board
	Samskip, Reykjavik (until 31 December 2007)	Member of the Supervisory Board
	Inchcape Shipping Services, London	Member of the Supervisory Board
	Global Ship Lease Inc., Marshall Islands (since 16 May 2007)	Chairman
	Panama-Canal, Balboa-Ancon	Member of the Advisory Board
	Lloyds Register, London	Member of the General Committee
	Ultramar Group, Santiago	Senior Advisor to the Board
	AAE, Baar, Switzerland	Senior Advisor to the Chairman

Hemjö Klein		
Businessman	Live Holding AG, Buchschlag	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 (since May 2007)	Member of the Board of Directors
	Convergence CT Inc., Pleasanton, CA, USA	Member of the Board of Directors
	Saugutack Capital Partners, Stamford, CT, USA	Member of the Board of Advisors
Robert Jan van der Burg		
Managing Director (rtd) KLM Financial Services, Dublin	Orix Aviation Systems, Dublin (until 1 April 2007)	Special Advisor to the Board
	Adfinbur Ltd., Dun Laoghaire, Co. Dublin	Managing Director
Frank Westhoff		
Member of the Board of Managing Directors DZ BANK AG	DZ Equity Partner GmbH, Frankfurt/Main [1]	Deputy Chairman of the Supervisory Board
	DZ Equity Partner Management GmbH, Frankfurt/Main [1]	Deputy Chairman of the Supervisory Board
	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
	DZ BANK Ireland plc., Dublin [1] (since 1 January 2007)	Member of the Board of Directors and Chairman of the Risk and Investment Committee
	Deutscher Genossenschafts-Verlag eG, Wiesbaden [1] (Member of the Supervisory Board since 13 July 2007)	Chairman of the Board of Directors
	Deutsche WertpapierService Bank AG, Frankfurt/Main [1] (Member of the Supervisory since 25 May 2007)	Chairman of the Board of Directors

Supervisory Board members elected by employees of DVB Bank AG do no hold any other office.

[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

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Fax +30 210 4557 420

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Zurich	ITF International Transport Finance Suisse AG Wasserwerkstrasse 12 8006 Zurich, Switzerland	 Phone Fax	 +41 44 3656 100 +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 Fax	 +599 9 431 8700 +599 9 465 2366
New York	DVB Transport (US) LLC Representative Office of DVB Bank AG 609 Fifth Avenue New York, NY 10017-1021, USA	 Phone Fax	 +1 212 588 8864 +1 212 588 8936 / 0424
	DVB Capital Markets LLC 609 Fifth Avenue New York, NY 10017-1021, USA	 Phone Fax	 +1 212 858 2623 +1 212 588 0425
	DVB Service (US) LLC 609 Fifth Avenue New York, NY 10017-1021, USA	 Phone Fax	 +1 212 858 2640 +1 212 858 2678
Asia			
Hong Kong	DVB Service Company (HK) Ltd Suite 811, Tsimshatsui Center, East Wing 66 Mody Road, Tsimshatsui, Kowloon Hong Kong, China	 Phone Fax	 +852 2268 6683 +852 2268 6768
Singapore	DVB Group Merchant Bank (Asia) Ltd 77 Robinson Road # 30-02 Singapore 068896	 Phone Fax	 +65 6511 3433 +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 Tokyo 100-0011, Japan	 Phone Fax	 +81 3 3593 7700 +81 3 3593 7860

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IT'S ALL ABOUT RELATIONSHIPS

AAE Ahaus Alstätter Eisenbahn Cargo AG/ Freightliner
Operate Lease Financing for 432 Coal Rail Cars
Arranger & Sole Debt Provider
DVB

AAR
Operating Lease Financing
3 x A320-200
Arranger & Agent
DVB

AeroLogic
Purchase and Lease of 8 x B777-200LRF
Global Lease Arranger, Sponsor & Joint PDP Facility Underwriter
DVB

Air Berlin
Operating Lease
2 x A319-100
Lease Manager & Remarketing Agent
DVB

ARI Second LLC
Warehouse Financing for US Railcar Acquisitions
US$100 mn
Joint Lead Arranger & Administrative Agent
DVB

Avianca
Financial Consultancy relating to Engine Selection for Narrowbody and Widebody Refleeting Programme
DVB

AWAS
Operating Lease Financing
4 x A330-300 to be operated by Singapore Airlines
Joint Arranger & Security Trustee
DVB

Capital Lease Ltd
Equity Loan Revolver to Container Investment Fund III
DVB's share: US$100 mn
Agent
DVB

Cargolux/ Freighter Leasing
Operating Lease
3 x B747-400F
Lease Manager & Remarketing Agent
DVB

Cebu
Finance Lease
3 x A320-200 and 2 x CFM56 Spare Engines
Joint Arranger & Agent
DVB

Compass Rail VI/VIII/IX
Financing of Railcar Acquisitions
Sole Lender
DVB

Copa Airlines
Mortgage Finance
10 x E190
Joint Arranger & Agent
DVB

Dragon Aviation
Operating Lease Financing
A320-200 operated by Juneyao Airlines
Arranger & Agent
DVB

Dubai Aerospace Enterprise
Financing of a portfolio of 21 used aircraft on Operating Lease
Co-Arranger, Underwriter & Security Trustee
DVB

Ethiopian Airlines
Pre-Delivery Payment (PDP) Finance
5 x B787-8
Joint Arranger & Agent
DVB

FOCL
Multi-Tranche Secured Term Loan Facility & Revolving Credit Facility
DVB's share: £42.4 mn
Co-Manager & Lender
DVB

Forland
Long-term Financing of Seismic Survey Vessel
DVB's share: US$16 mn
Arranger & Agent
DVB

Global Skipsholding 1 AS
Debt Financing
US$98.4 mn
Sole Lender
DVB

GSH 1 Chem Prod Carrier II AS
10-year Amortising Senior Mortgage Term Loan financing the purchase of 2 double-hull IMO II tankers
US$53.25 mn
Arranger & Sole Lender
DVB

Hainan Airlines
Pre-Delivery Payment (PDP) Finance
20 x E190LR
Arranger & Agent
DVB

SOME IMPORTANT DEALS 2007

Intrepid
Debt Financing
US$61.5 mn
Arranger, Underwriter & Agent

Jazeera Airways
Finance Lease
2 x A320-200
Joint Arranger & Security Trustee

Lion Air
Finance Lease
5 x CFM56-7B26 Spare Engines
Arranger & Agent

Louis (Crystal Refi)
Multi-Currency Term Loan Facility
DVB's share: US$51.5 mn
Arranger & Lender

Navios Maritime Partners
Fleet Acquisition Facility
DVB's share: US$115 mn
Co-Lead Arranger & Agent
Initial Public Offering
US$200 mn
Co-Manager
DVB Capital Markets LLC

Nexus Floating Production Ltd.
Senior Secured Debt Facility
DVB's share: US$155 mn
Mandated Lead Arranger, Facility Agent & Security Trustee

NFC Shipping Funds
Equity investments in 56 vessels
US$1.5 bn
Managed by Investment Management

Q Aviation
Financing of a portfolio of 27 used aircraft on Operating Lease
Arranger & Agent

Rickmers/Nordcapital
Pre- and Post-Delivery Term Loan Facility
5 Supramax-Bulkcarrier
DVB's share: US$135 mn
Arranger & Agent

Ryanair
Japanese Operating Lease
6 x B737-800
Equity Arranger

Sevan Drilling Pte
Finance of Sevan design drilling rig
DVB's share: US$50 mn
Mandated Lead Arranger

Structured Asset Finance
DVB's Structured Asset Finance unit arranged Structured Tonnage Tax Transactions
26 vessels for three clients in 2007
US$940 mn

Thoresen Thai
Fleet Renewal Facility
DVB's share: US$198 mn
Co-Lead Arranger

TOP Ships Inc.
Debt Financing
US$147.5 mn
Arranger, Underwriter & Agent

Torvald Klaveness
Sale of its Middle East transloader business owned by Bulktransfer Inc.
Sourcing of investors and execution of sale
Exclusive Financial Advisor

Touax Rail
Warehousing Facility
Financing of European and US Railcars
Arranger, Agent & Underwriter

Ullswater Subsea AS
Long-term Financing of Diving Support Vessel
DVB's share: US$18 mn
Arranger & Agent

Via Location
€40 mn
Senior Secured Loan Facility for Commercial Vehicles in France
Arranger

VTG
Senior Secured Facilities
€620 mn and £13.6 mn
Joint Lead Arranger

Yangtze River Express
Revolving Bridge Financing
2 x B747-400 Pax Aircraft being converted to Freighter
Arranger & Agent

This announcement appears as a matter of record only.

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Board of Managing Directors of DVB Bank AG (page 2)
Stefan Kiefer, Regensburg

Chairman of the Supervisory Board of DVB Bank AG (page 4):
Press Office, DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
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DVB management teams (pages 8/9):
Stefan Kiefer, Regensburg

Shipping (page 18/19):
Sevan Marine ASA

Aviation (page 78/79)
AeroLogic

Land Transport (page 140/141)
ARI Second LLC

DVB Bank AG

Group Annual Report 2007