ANNUAL REPORT

DVB

DVB: Unique and well defined

As the world´s leading transport finance bank, DVB constantly seeks to improve its offering to customers, partner institutions, employees and shareholders.

We are the leading financial specialist in international transport finance

We serve our high quality customer base in the Shipping, Aviation, Land Transport and Transport Infrastructure sectors with innovative and tailor-made products. We focus on building long-term relationships in order to add value to our clients' complex requirements. We employ our expertise to optimise their success.

We invest in our employees to ensure that they are the most knowledgeable and productive practitioners in international Transport Finance. We help them to develop their careers, we reward their success and we involve them in DVB's strategic scenario. Our teams are proud to work for DVB.

We generate a superior rate of return for our shareholders from a focused and well-managed business. We manage our collateralised and diversified risks in an optimal way.

In everything we do we aspire to protect the integrity and reputation of DVB, our customers and the transportation sectors we serve by behaving honestly and fairly.

Key figures

DVB Group

€ mn	**2002**	2001	2000	1999	1998
Results: Five year record					
Ordinary income	195.0	193.1	164.3	127.5	109.5
Net interest income	97.3	89.2	66.0	47.4	36.9
Net commission income	93.0	98.4	90.1	69.1	59.5
Net profit on financial operations	4.7	5.5	8.2	11.0	13.1
Administrative expenses (incl. depreciation)	162.5	157.6	131.5	101.2	91.3
Operating profit excl. loan loss provisions	35.8	36.5	32.5	29.6	17.1
Net loan loss provisions	19.9	17.2	–1.1	7.0	8.3
Profits from ordinary activities	47.0	36.1	35.7	22.8	7.4
Net income after taxes	32.6	4.5	19.1	15.5	5.0
Balance sheet data					
Business volume	11,748	13,242	11,410	8,041	7,577
Total assets	9,296	10,972	9,472	6,875	6,565
Loans and advances to customers	6,685	6,858	6,244	3,370	2,434
Liabilities to customers	2,096	2,710	2,496	1,750	1,869
Certificated liabilities	1,489	1,953	1,521	688	770
Own funds	786.5	771.4	749.3	341.8	302.9
Core capital (TIER I)	439.2	408.0	429.2	177.1	151.2
Supplementary capital (TIER II)	347.3	360.3	320.1	164.7	151.7
TIER III funds	–	3.1	–	–	–
Key indicators and ratios					
Core capital ratio (German Banking Act)	5.8%	5.0%	5.7%	4.5%	5.2%
Total capital ratio (German Banking Act)	10.4%	9.5%	10.2%	8.6%	8.8%
Return on equity before taxes*	15.9%	6.8%	15.1%	13.4%	3.8%
Cost/income ratio*	79.1%	77.7%	77.9%	77.9%	85.0%
DVB Share data (€)					
Dividend (excl. tax credit)	1.50	1.50	3.60	3.60	2.56
Dividend (incl. tax credit)	–	–	3.82	5.14	3.65
End-of-year share price	80.00	90.00	102.00	94.50	86.40
Rating					
Moody's Investors Service Long-term/short-term rating/ Outlook Financial strength/outlook	A3/P-2/ stable C-/negative	A3/P-2/ stable C-/negative	A3/P-2/ stable D/stable	A3/P-2	–
Standard & Poor's Long-term/short-term rating Outlook	BBB+/A-2 negative	BBB+/A-2 negative	A-/A-2 stable	A-/A-2 stable	–

** excl. depreciation of goodwill*

Key information regarding the development of DVB

Clear evidence of the success of DVB's strategic focus on the global Transport Finance business was again apparent in 2002. Transport Finance now consists of four divisions: Shipping, Aviation, Land Transport and Transport Infrastructure. DVB Capital, the corporate finance arm of DVB, capitalises on additional business opportunities. Once again, we demonstrated our expertise in devising tailor-made financial structures.

- The **qualitative growth in the core business** and the **successful reduction of non-core business** are in line with DVB's stated strategic objectives.

  DVB adopted an anti-cyclical approach in a difficult global economic environment, characterised by recessions in individual economies. The bank committed €1.64 billion in long-term collateralised finance to Shipping and €0.86 billion to Aviation, thus achieving qualitative growth in the Transport Finance portfolio, in line with its strategy. Interest margin in the core business registered a modest increase of 0.2%, while commission income from advisory services (syndication and DVB Capital) rose by 34.5%. Lending exposures that no longer meet DVB's requirements (so-called "D-Marketing") were reduced by 6.3%, from €0.48 billion to €0.45 billion.

- The 1.9% decline in **operating profit (excluding loan loss provisions)** from €36.5 million to €35.8 million was attributable to factors unrelated to our core business: the cessation of the securities commission business with "Sparda" banks, the suspension of bulk payment services and a euro-driven decline in commission income from Reise Bank's traditional foreign notes and coins business.

- **Profits from ordinary activities** rose 30.2% from €36.1 million to €47.0 million, **including a non-recurring income item** and taking risk provisioning into account.

  We were able to realise €39.4 million from the disposal of a participating interest in Union Asset Management Holding AG that was no longer in line with our strategic priorities. Some €8.4 million of the proceeds was used to strengthen the fund for general banking risks at Group level, in order to enhance our liable capital in accordance with the German Banking Act (KWG). The remaining €31.1 million was recognised under net other income and expenses in the profit and loss account. After setting off further expenditure of €3.0 million (particularly in respect of the amortisation of goodwill related to the acquisition of Nedship Bank N.V. in 2000), we were able to increase our capital base by attributing €28.1 million to retained earnings.

  Profits from ordinary activities were influenced by **net loan loss provisions** of €19.9 million, of which €19.7 million was set aside with regard to exposures in "D-Marketing", and €0.2 million in respect of the financing of a helicopter.

- DVB generated total **net income** of €32.6 million (2001: €4.5 million).

2002
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DVB Highlights

Change of name to DVB Bank AG – new shareholder structure

- 24 June: In view of the international recognition that the "DVB" brand name has achieved in respect of international Transport Finance within a short period of time, we change our name to DVB Bank AG.
- 19 December: DZ BANK increases its stake in the share capital of DVB Bank AG to 78.21% via the acquisition of the interest previously held by KRAVAG.

Changes within the Board of Managing Directors

- 22 February: Dagfinn Lunde is appointed to the Board of Managing Directors of DVB Bank AG. Since August 2000, Mr Lunde had been Global Industry Head Shipping of DVB Group and CEO of Rotterdam-based Nedship Bank N.V.
- 30 September: Klaus W. Heinemann resigns from the Board of Managing Directors of DVB Bank AG, to join debis AirFinance.
- 31 December: Rainer Irmen, Deputy Member of the Board of Managing Directors of DVB Bank AG, resigns from his office.

Modifications to the central bank functions conducted on behalf of "Sparda" banks

11 April: A new agreement regarding the provision of central bank functions for the co-operative "Sparda" banks comes into force. While DVB continues to provide and balance liquidity, other central bank functions were transferred to other service providers by the end of 2002.

DVB client events

- 24 April (London), 25 April (Bergen), 3 May (New York): We introduce our new research study "M&A Trends in Global Transportation" through a series of client presentations.
- 6 to 9 October: DVB Executive Symposium for selected Transport Finance business partners, featuring high-calibre keynote speeches.

Prizes and awards

- 26 to 27 November: Dagfinn Lunde, Member of the Board of Managing Directors of DVB, addresses the Lloyd's Shipping Conference 2002 in London. He gives a speech on "Global Trends for the Dry Bulk Sector". The "Most Professional Overall Finance Service to Shipping" award is presented to the bank, adding to the series of awards received by Lloyd's.
- DVB is also honoured with the "Aircraft Debt Deal of the Year – Europe" award, jointly with Bank of Tokyo-Mitsubishi, recognising an innovative warehouse facility structured for Iberia.
- Our Annual Report gains third place in a competition involving 126 participants by "bankmagazin", a German banking publication, for the best Annual Report of the year.

Selection of lectures held by DVB executives

- Dagfinn Lunde, Member of the Board of Managing Directors of DVB, addresses various Shipping Finance events around the world: Shipping 2002 Conference organised by Stamford-based Connecticut Maritime Association (19 March); IUMI (International Union of Marine Insurance) Conference in New York (15 to 18 September); Mare Forum in Athens (19 to 20 September – speech on "Flag State Quality and Regulatory Governance").
- David Goring-Thomas, Industry Head Aviation, addresses the Airfinance Conference in Dublin on 24 January with a speech on "Asset Management and Re-Marketing".
- Prof Dr Borislav Bjelicic, Senior Vice President Corporate Communications, addresses various events on topics relevant to Aviation and Rail Finance. In a speech during the 12th International Rail Finance Conference in London (28 October) he gives "An Overview of Developments in Rail Markets"; he participates in a panel discussion on "Financial Opportunities in the European Aviation Industry" during the 5th Commercial Aviation Conference in Dublin (19 to 21 November); and he presents a speech on "Changing Market Structures in the Aircargo Industry" during an event in Rome (4 to 5 December).

"DVB Bank AG Foundation Prize"

We award this biannual prize for the fifth time in 2002: the prize money of €2,500 was received by Markus Pfeffer, of Cranfield University, for his MSc Thesis entitled "Toll road demand forecasting – a dual criteria assignment model".

Contents

Dear shareholders and business partners,

Dear Ladies and Gentlemen,

As expected, 2002 turned out to be extraordinary, in every sense of the word:

- From an economic perspective, it was unsatisfactory, both on a national and global level.
- It was overshadowed by geopolitical risks, not least as the indirect consequence of the events of 11 September 2001.
- The year was burdened by pessimism and resignation on the part of consumers and investors.
- In 2002 the aviation industry experienced the gravest crisis in its history, while
- the German banking sector was faced with fundamental challenges.

Against this backdrop, DVB Bank AG is pleased to present a good result. We continued to enhance our profitability. While, from a purely arithmetical point of view, the 1.0% increase in ordinary income might not be overly impressive, we achieved extraordinary progress in qualitative terms. We managed to more than compensate for the discontinuation of securities business conducted on behalf of "Sparda" banks, the suspension of mass payment services, the closure of current account (and the associated loss of income-earning credit and debit balances) and the cessation of trading in foreign notes and coins/precious metals. Although the discontinuation of own-account securities trading activities and the liquidation of holdings in special securities investment funds resulted in a loss of income compared to previous years, these decisions also prevented significant risk exposure that the bank would otherwise have been subjected to. As a consequence of the introduction of euro notes and coins, the expected decline in earnings of our ReiseBank Group subsidiary duly materialised.

Market developments could hardly have provided stronger confirmation of our unique strategic focus that sets us ahead of numerous banks in terms of identifying trends and acting accordingly. We will require the years 2003 and 2004 to conclude the strategic realignment of DVB. In doing so, we will adhere to the swift and consistent implementation of our strategic priorities.

It is clear that banks nowadays are faced with increasingly difficult challenges. Yet we have every reason to be proud of banking "DVB style", and are ambitious to progress. Our sincere thanks go to our employees, clients and shareholders for their continued support. We will propose to pay an unchanged dividend of €1.50 per share at the Annual General Meeting.

We also bolstered our capital reserves during 2002. As an important first step, we sold our interest in Union Asset Management Holding AG, thus adding a total of €36.5 million to reserves.

Wolfgang F. Driese
Chairman of the Board of Managing Directors

Dagfinn Lunde
Member of the Board of Managing Directors

Permit us to analyse the major balance sheet developments. Total assets declined by €1.7 billion, driven by three influencing factors:

- a strong reduction in interbank deposits, as year-end account balances formerly held by major payments clients were no longer available;
- the continued, scheduled reduction in exposures that are no longer in line with our strategic focus, or subject to risks, by 6.3% to €0.45 billion; and
- a reduction in business volumes with our target client groups associated with exchange rate developments.

The US dollar exchange rate against the euro fell by 19% between the year-ends 2001 and 2002. Adjusted for this exchange rate effect, our Transport Finance portfolio actually grew, in US dollar terms, by 6.1%. We thus achieved our objective of counter-cyclical business development in our core business, financing more projects in Shipping, Aviation, Land Transport and Transport Infrastructure than in the previous year. This reflects the power of our strategic focus, the selection of clients based on research, conservative collateralisation and proactive risk management. Large areas of our target markets will not recover to historical growth levels until 2004/2005. We, however, have the ability to realise our unique competitive edge now – which we will do in a selective and targeted manner. We apply sound judgement to building our future.

We have largely completed the phase of significant investment, conducted over a period of several years, which comprised the introduction of SAP, the establishment of our Corporate Finance unit, the internationalisation of ReiseBank Group, the expansion of risk management systems and various other projects. Accordingly, administrative expenses peaked in 2002, showing only a modest increase of 3.1% compared with the previous year. We envisage a cost reduction over the forthcoming years, thanks to the measures initiated with the CHANGE project.

DVB Bank AG possesses a unique and distinct profile as an international Transport Finance bank. We are successful in our core business. All other activities that we pursued in the past were either discontinued by the end of 2002, or spun off to subsidiaries (ReiseBank Group, DVB Processing GmbH, DVB LogPay GmbH). The extent to which the bank's business has been restructured is illustrated by the fact that earnings projections for DVB Bank AG for the current business year 2003 comprise exclusively our new core business divisions. In other words: the sources of income the bank relied upon just five years ago are a thing of the past.

The future is now – based on our unique focus on:

- the high-growth international transport sector;
- the leading names in transport – 450 clients worldwide; and
- a clearly-defined range of products: advisory services, structuring and financing of high-quality investments.

Despite our clear business focus and the successes that have already materialised, we must not stand still. This is why we have devised a set of focal points for the business year 2003:

- conducting risk management with an anti-cyclical approach;
- reviewing the efficiency of our international units;
- pursuing the expansion of commission-based businesses and enhancing lending margins; and
- strengthening our capital base.

Dear shareholders and business partners,
We are undeterred by the state of the economy and our business environment – which, at present, provide more burdens than support – and will persist in addressing the issues we can influence. This is the only way forward.

Wolfgang F. Driese

Dagfinn Lunde
(Member of the Board of Managing Directors
from 22 February 2002)

Corporate Governance

There were fundamental changes in the way capital markets treat corporate governance issues in 2002. On 30 August 2002, the government commission set up by the German Federal Ministry of Justice in September 2001, presented the German Corporate Governance Code. The purpose of the Code is to enhance transparency regarding the German regime for company management and monitoring for domestic and international investors. Adoption of the Code has been enacted as a mandatory duty for listed companies.

The code deals with the following five criticisms regularly voiced regarding the governance and legal structure of German companies:

- lack of emphasis on shareholders' interests;
- the dual structure of corporate governance comprising a Board of Managing Directors and a Supervisory Board;
- insufficient transparency of German corporate governance;
- insufficient representation of independent members on German Supervisory Boards; and
- limited independence of auditors.

The German Corporate Governance Code – including a translation into English – is published on http://www.corporate-governance-code.de.

This "Code of Best Practice" comprises internationally recognised standards of conduct and obligations of disclosure. As a self-regulatory "soft law", it complements the so-called "comply-or-explain" provision rule in the Transparency and Disclosure Act (Transparenz- und Publizitätsgesetz). Since coming into effect in 2002, the law has obliged each company, which does not intend to adhere to the rules of the Code in the future, to expressly restate its intentions each year and to give specific reasons to both investors and the general public.

The Code largely comprises the following recommendations:

- Remuneration of members of the Board of Managing Directors and the Supervisory Board shall be based on the company's financial success.
- The Supervisory Board shall form committees with sufficient expertise; the chairpersons of these committees shall report to the Supervisory Board on a regular basis.
- All shareholders shall receive equal rights, according to the principle of one share – one vote. Ceilings for voting rights and preferential or multiple voting rights would therefore be abolished.
- Companies shall increase the use of the Internet to inform shareholders and investors in a prompt and uniform manner.
- Companies shall disclose and inform shareholders, without delay, of all new facts made known to financial analysts and similar addressees.

We already comply with the majority of requirements:

- Our Board of Managing Directors reports regularly on all company-related matters in the form of annual and interim reports, as well as press releases.
- We immediately publish – through ad-hoc disclosures – current facts that are likely to significantly influence the market price of our shares.
- In conjunction with this, an extensive compliance function ensures that insider issues and conflicts of interest are dealt with appropriately.

Our extensive financial reporting in the Annual Report comprises information on our shareholdings, charitable donations, shareholdings in DVB Bank AG of the members of the Board of Managing Directors and the Supervisory Board and the total remuneration of the Board of Managing Directors, broken down into fixed and variable components. We have already incorporated the necessary additions to the consolidated financial statements as outlined in the legal amendment for reporting in accordance with the German Commercial Code (HGB) as standard information for many years, whereby we implemented the cash flow statement in the 1998 Annual Report and have provided segment reporting since 1999. The information mentioned is also available this year in the Notes to the Financial Statements.

The Investor Relations section of our website www.dvbbank.com offers a wealth of information:

- the Financial Calendar;
- current data regarding the company and the DVB Share performance;
- information on DVB's activities in the capital market;
- information in preparation for the bank's Annual General Meetings; and
- the financial analyses prepared by international rating agencies, Moody's Investors Service and Standard & Poor's.

In addition, the Corporate Governance section of our website provides an overview on the implementation of the Code's recommendations by DVB:

- our Declaration of Compliance with the Code, which we published in the Federal Gazette, for the first time, as at 31 December 2002, is valid for the future and has been implemented by way of detailed provisions in the Internal Regulations for the Supervisory Board and the Board of Managing Directors. Moreover, we will propose at the Annual General Meeting to amend the Memorandum and Articles of Association to implement the recommendations of the German Corporate Governance Code;
- Ad-hoc disclosures;
- information on Directors' Dealings and offices held; and
- our Memorandum and Articles of Association.

The DVB Share

Markets during 2002 were characterised by uncertainty, faced with strong volatility in international equity markets and the discrepancy between economic forecasts and actual data. The DAX was the worst performer among major world markets. Having lost 8% and 20% in 2000 and 2001 respectively, 2002 was the third successive year to register a negative performance with the DAX ending the year with a record loss of 44%.

Worst bear market since the crash of 1929

International equity markets were characterised by significant volatility throughout 2002. As the discrepancy between forecast data and actual figures became evident – with the positive outlook of indicators regularly giving way to a series of negative facts – the result found reflection in extreme market movements. Massive uncertainty prevented any turnaround.

- Equity markets had staged a surprisingly swift recovery following the terrorist attacks of 11 September 2001. Having entered 2002 at 5,167.88 index points – almost 40% above its post-11 September low – the DAX reached its high of 5,462.55 index points on 19 March 2002.
- Investor confidence was eroded by the uncovering of accounting scandals in the US between May and the end of September 2002 – developments that also triggered a dramatic decline in the DAX. Following a brief stabilisation phase during July and August, when the index was range-traded between 3,500 and 3,700 index points, the DAX continued its slide at the end of August in reaction to poor economic data and the looming Iraqi conflict.
- The DAX hit its year's low of 2,597.88 on 9 October 2002. This meant that the market value of German companies included in the index had halved since the beginning of 2002.
- Interest rate cuts by the US Federal Reserve (6 November) and the European Central Bank (5 December), which each lowered their respective key rates by 50 basis points, failed to provide any sustained support for equities.
- Equity market sentiment continued to be overshadowed by persistent economic weakness and fears of a war between the US and Iraq.
- The DAX lost 44% from the level that reigned at the end of 2001 (5,160.10 index points) and closed 2002 at 2,892.63. The last time a decline of this magnitude occurred was in 1929.
- Another unusual aspect lay in the fact that not a single issue listed in the DAX achieved a positive performance over the year – with the financial sector being particularly hard hit.

2003 Financial Calendar

27 March 2003
Balance Sheet Press Conference and Analysts' Meeting Frankfurt/Main

End of April/mid-May 2003
Publication of quarterly report

May/June 2003
Publication of the 2002 Annual Report (in German and English)

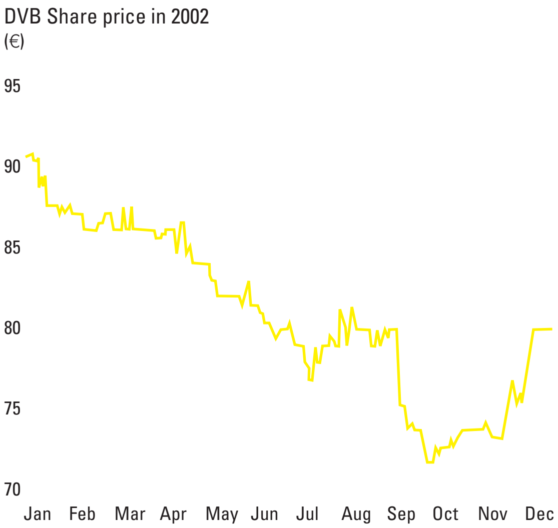
12 June 2003
Annual General Meeting

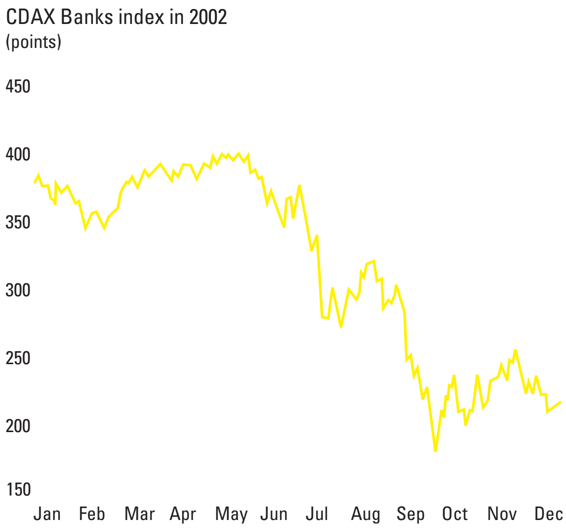
13 June 2003
Dividend payment

13 June/1 July 2003
Distribution on profit-participation certificates

End of July/mid-August 2003
Publication of the interim report for the first half of 2003 (in German and English)

End of October/ mid-November 2003
Publication of quarterly report





DVB Share performance

Thanks to the continuation of our stable shareholder structure and the low free float, there were no speculative price fluctuations. The DVB Share recorded a high of €90.30 on 3 January 2002 and traded at its low of €72.00 on 9 October 2002. The year-end price was €80.00. We have been using the CDAX Banks index, which comprises 22 bank issues, as a benchmark for several years (although the index weighting of the DVB Share is only 0.072%). While the index fell by 42.2% year-on-year, the DVB Share price only declined by 11.1%, thus faring relatively well in a difficult environment.

We further enhanced our position due to:
- our focus on our core expertise in Transport Finance;
- the expansion of our commission-based advisory business;
- the consequent reduction of non-transport business; and
- cost reductions by way of restructuring.

This is why we consider DVB's shares to be an attractive investment with performance potential.

Change in shareholder structure

On 19 December 2002, DZ BANK increased its stake in the share capital of DVB Bank AG from 67.02% to 78.21% via the acquisition of the interest previously held by KRAVAG.

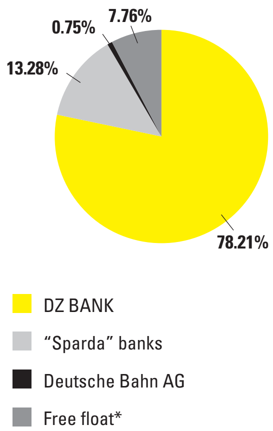
Dividend

We will propose at the Annual General Meeting of 2003 to pay an unchanged dividend of €1.50. On the basis of the year-end price of €80.00, this equates to a dividend yield of 1.88%.

Resolutions of the 2002 Annual General Meeting

The Annual General Meeting of DVB Bank AG was held on 13 June 2002, at the "Hermann-Josef-Abs Saal", in Frankfurt/Main. Shareholders approved the activities of the Board of Managing Directors and the Supervisory Board for the business year 2001. The authorisation to purchase treasury shares was extended until 30 November 2003. All resolutions were passed by a 99.99% majority, with a 92.99% representation of the bank's share capital (2001: 91.99%).

Shareholder structure from 19 December 2002 (%)



*This includes 9,648 shares held by employees, purchased through "DVB shares 2000/2001/2002" (0.32% of the issued share capital).

DVB Share data

€	2002	2001	2000	1999
Earnings per share (according to DVFA)	2.44	1.12	3.22	6.75
Dividend	1.50	1.50	3.60	3.60
including corporation tax credit	–	–	3.82	5.14
Dividend yield	1.88%*	1.67%*	3.75%	5.4%
Business year high	90.30	104.00	104.25	95.00
Business year low	72.00	84.00	87.59	73.67
Year-end price	80.00	90.00	102.00	94.50
Number of shares at year-end	3,005,791	3,003,224	3,000,000	2,246,000
Market capitalisation at year-end	240,463,280	270,290,160	306,000,000	212,247,000

** excluding tax credit (from 2001)*

Report on Activities

During the period under review, we adjusted the bank's organisational structure and processes under the CHANGE project which commenced in 2001. Our main objective was to align DVB's business and settlement activities with our core Transport Finance business.

CHANGE sub-projects concluded in 2002:

- *ZEST: Migration of certain central bank functions to new service providers for "Sparda" banks*
- *WANDEL: Termination of own securities trading activities*
- *TRESOR: Reorganisation of treasury, money and foreign exchange trading segments*
- *SIO: Consolidation of Road & Logistics and Rail activities in the Land Transport segment of Transport Finance*

Four CHANGE sub-projects were successfully concluded by the end of 2002.

Two other sub-projects will be concluded on schedule in the third quarter of 2003. Under the DOS project we discontinued mass payment services, transferred the technical handling of other payment transactions to an external provider and finalised the account cutbacks in early 2003. The SAM project focused on analysing and subsequently optimising central functions.

We are currently in the process of implementation and will have concluded all measures by the end of 2003. CHANGE involves staff cutbacks of approximately 160 combined with an annual profit improvement of some €5 million. Apart from driving ahead with the realisation of the agreed measures in 2003 we also intend to improve the integration of the bank's international activities and offices into DVB's structure while continuing to optimise structures, processes and costs, particularly in respect of the administrative departments.

Our 2002 Report on Activities contains information on the following topics:

- Client areas (Transport Finance and DVB Capital business divisions);
- D-Marketing (discontinuation of non-transport business, Transport Finance business no longer in alignment with our strategy and Special Credits);
- Change in central bank functions for the "Sparda" banks;
- Discontinuation of securities, foreign notes/coins and precious metals trading;
- Product and Service areas; and
- DVB's participating interests: strategy and structure.

Transport Finance – Shipping

Shipping Finance accounted for 55.0% of the bank's Transport Finance portfolio last year. Our Shipping division, with offices located in the world's principal shipping centres, is renowned for its expertise across the sector, a reputation which was enhanced by Lloyd's Shipping Economist's award of the grand prize for the "Most Professional Overall Finance Service to Shipping" in 2002. Senior executives work closely with DVB Capital, our corporate finance arm, in the provision of advisory services and bespoke financial products to an international customer base that encompasses more than 200 clients. DVB ranks as one of the top five commercial banks in the ship finance sector and, benefiting from a highly diversified portfolio, is one of the few banks that has not had to set aside provisions for shipping loans.

Market review

We are, most certainly, living through interesting times. The year 2002 was characterised by political and economic uncertainties and, inevitably, this had a knock-on effect on the shipping industry. The war on international terrorism, the US led invasion of Iraq, global stock market volatility, fears of economic recession and the loss of consumer confidence, all served to damage economic growth rates.

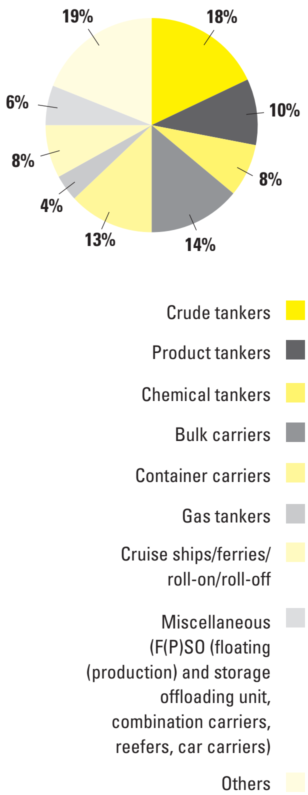
Global growth recovery endangered by war crisis

Looking forward, the latest stimulus package introduced by the Bush administration of US$674 billion (pending approval by Congress) comes in the wake of the US$100 billion stimulus package introduced in 2001. This current stimulus package is geared toward the US economy and is expected to have little or no impact on a global scale. Countries such as Japan, Germany and/or the European Union in its entirety need to kick start their economies as far as consumer spending and the reduction of high unemployment figures are concerned. It is doubtful whether the world economy can concentrate on market fundamentals while under war with Iraq. The United Nations department of Economic & Social Affairs has trimmed its world growth forecast for 2003 from 2.9% to 2.75% stating that a war with Iraq could further set back economic recovery: a view we concur with. According to the United Nations, global growth for 2002 was only 1.7%. The IMF (International Monetary Fund) however, is more optimistic but does not mention war; instead the focus is on oil prices, terrorist attacks and further economic deterioration in Japan which are cited as the three key issues that could hold back world recovery. The IMF expects Asia to lead global growth to 3.7% in 2003, headed by China with 7% to 8%, while the economies of Hong Kong, South Korea, Singapore and Taiwan are expected to expand by between 3.5% and 6%. Growth in the economies of the Philippines and Indonesia is forecast at around 4%, while near 6% growth is predicted for the Indian economy.

Shipping industry faced crisis

In general terms, weakening economic growth rates, as witnessed in 2002, translate into less growth in demand for shipping services, although this may not prove the case for all sectors. On top of this, the shipping industry faced a series of crises of its own during 2002. The aftermath of 11 September 2001 has resulted in greater efforts on the security front which threatens to slow growth, particularly in the container industry. Although details of the attack on the French tanker "Limburg" on 6 October 2002 remain unclear pending conclusion of the investigation, this development is another worrying sign that merchant vessels are vulnerable to these political events.

Financed vessel types (%)



As 2002 drew to a close the "Prestige" oil spill off the rich fishing fields of Galicia heralded more negative publicity for the shipping industry. Those within the industry know the inherent risks of ocean transport and understand the difficulties facing ship owners. However, the industry also understands the concerns of the general public and the outrage of environmentalists.

In the wake of the "Prestige"controversy, there is talk of a possible acceleration of the phase-out of single-hull tankers under IMO/Marpol legislation (IMO: International Maritime Organisation, Marpol: International Convention for the Prevention of Marine Pollution from Ships).

In addition, the European Union (EU) is under considerable pressure to react unilaterally and it is expected that the EU will intitially ban "pre-Marpol" single-hull vessels of 23 years and more, at least in EU waters. The response from the Dutch representative was that any agreement to ban single-hull tankers should be subject to a study designed to ascertain whether there were sufficient double-hull tankers in existence to pick up the surplus cargoes should their single-hull brethren be banned. What the industry fears is that knee jerk reactions from politicians may further hinder the global economy.

Modest improvements in 2003

The shipping industry clearly faces a number of interesting challenges in 2003 but is it all "doom and gloom"? The dry bulk market has been improving, driven mainly by continued growth in Chinese industrial production. The tanker markets also improved towards the end of 2002 and the indications are that further modest improvements will be achieved in 2003. LNG (Liquefied Natural Gas) remains a hot topic in view of the fact that as it is one of the fastest growing energy sectors. Meanwhile, trade growth in the container carrier market was stronger than expected in 2002 with the liner operators set to benefit from improved rates in 2003.

DVB's Shipping portfolio is well diversified in terms of the wide range of vessels that we finance. The following review will focus on the key shipping sectors which together cover the majority of the vessels financed by DVB: crude tankers, product/chemical tankers, the offshore sector, bulk carriers, container carriers and gas carriers.

Crude tankers (Shipping portfolio: 18%)

In 2002 spot rates touched their lowest levels in recent memory, as OPEC insisted on maintaining its production cutback quotas. Other bad news for tanker owners included periodical Iraqi suspension of exports and firming oil prices.

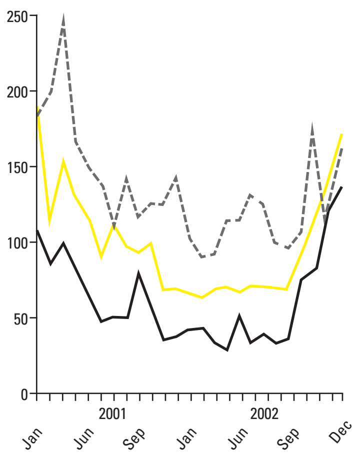
It is not often in the crude tanker markets that major new routes evolve but this happened in 2002 with increased Russian exports. Most traditional routes are well established, for example: Middle East to Far East, Middle East to USA, North Africa to Europe and West Africa to USA/UK-Continental/Far East. Increased Caspian and Russian exports will likely benefit Aframax and Suezmax owners the most, with increased cargoes from the Black Sea and the Baltic. In the Pacific, Russian exports are expected to increase from Sakhalin Island to Far East destinations.

While the development of new trading patterns as a result of increased Russian production are of interest, the importance of Asia in terms of trade volumes should not be underestimated. Asia accounts for around 40% of the world's total seaborne crude imports. Looking forward, future oil trade will depend, to a considerable extent, on the development in Japan and its effect on the Asian region and import development in China and India.

Despite a relatively high delivery schedule in 2003 (the orderbook for vessels of more than 60,000 dwt (dead weight tonnes) represented 20% of the fleet in dwt terms at year-end 2002) slightly improved prospects for the world economy translate into a modest improvement in the crude tanker freight markets. However, the state of the market could be significantly affected by the phase-out of the "single skins" and the political reaction to the "Prestige" accident.

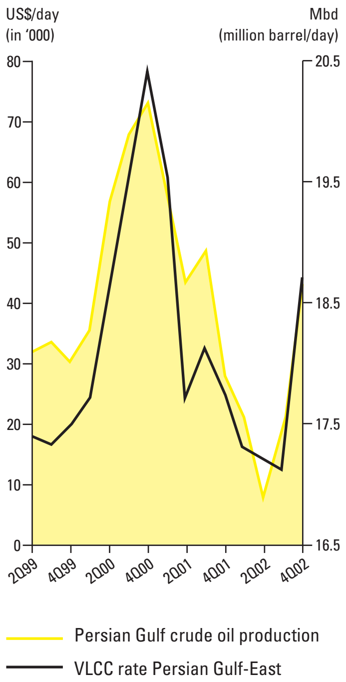
Spot rates 2001-2002 – crude oil tankers

WS (World Scale Index)



Source: Clarksons Research Studies

VLCC rates and Persian Gulf crude oil production



Source: Drewry Shipping Consultants/IEA

Product and chemical tankers (Shipping portfolio: 10% and 8% respectively)

As there are changing patterns in crude, so there are in the product and chemical trade. Product exports from the Persian Gulf are expected to increase steadily over the next five years, the principal importers being North America, Europe and Japan. Although the US is attempting to lessen its dependence on Middle East crude imports, the past decade has witnessed the construction of only a limited number of US refineries and, with the Clean Air Act coming into play in 2004, the US will have growing import requirements until more refineries are upgraded or new ones built.

The Middle East is also growing in importance in the petrochemicals industry. With petrochemical exports from America and Europe to Asia in decline, exports from the Middle East to Asia have increased rapidly. These developments are being driven by low cost production economics, based on access to ethane feedstock.

Looking forward, the product tanker freight market is notoriously difficult to forecast. This is partly due to the effects of arbitrage trades and changes in trading patterns on the demand side together with the fact that chemical tankers move into the product trade when market conditions are favourable and vice versa on the supply side. The orderbook is high, particularly in the MR tanker sector (Medium Range, 30,000 to 50,000 dwt) where orders represent around 30% of the present fleet. However, rates are expected to improve marginally into 2003/2004 as the global economy improves.

Since the beginning of 2002, the chemical tanker freight market has remained in a "lacklustre" state. The economic slowdown coupled with an increase in fleet size kept the market flat in 2002. Longer term, from 2003, a moderate improvement in the freight market is expected through to 2005 as the balance of demand and supply is redressed.

Offshore sector (Shipping portfolio: 11%)

There is a clear relationship between oil company budgets for offshore "exploration & development" (E&D) and oil prices. Oil companies postponed their offshore E&D when oil prices dropped in 1999 to an average of between US$12 to US$15 per barrel. In 2000, a record number of large offshore oil and gas fields were awaiting development around the world with the oil price standing at an historic high of US$29 per barrel (Brent). It is projected that the world will consume an average of 30 billion barrels of oil per year over the next ten years compared with current consumption of around 27 billion barrels per year. The oil companies' ambition is to replace consumed volumes with new reserves on a year-to-year basis. Most of these efforts will take place offshore. Total world offshore expenditures are forecast to rise from some US$85 billion in 2000 to more than US$100 billion by 2004.

The extensive portfolio of large offshore fields for development are mostly deep water projects which will trigger demand for more high spec vessels from the supply fleet (AHTS & PSV). The growing demand for more sophisticated vessels experienced in 2000 continued in 2001 and 2002. Many oil companies now insist that vessels for long-term contracts must be less than 10 years old. By the end of 2002 around 50% of the supply vessel fleet was more than 20 years old. This implies that further newbuildings will be required to meet the oil companies' new requirements. The projected increase in drilling, construction and pipe laying activities can also be expected to stimulate the market during the coming years.

Bulk carriers (Shipping portfolio: 14%)

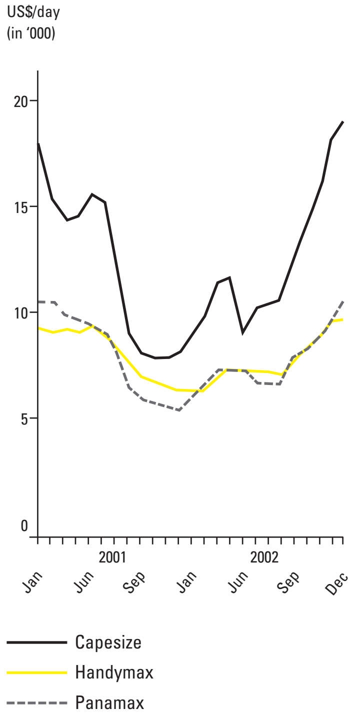
In 2002, the dry bulk carrier freight markets experienced a recovery in all segments, largely driven by the upturn in the steel industry. China was predominately behind the strong growth of crude steel production with an increase of 25% (first ten months of 2002). Surprisingly, Japan also saw an upturn in crude steel output and achieved 4% growth in 2002: the highest since 1991.

In addition, the dry bulk carrier orderbook remains modest at less than 10% of the fleet. Only 1.1 million dwt of new tonnage will be added to the fleet in 2002, the lowest amount for a decade.

Adding up all the positive elements it is not surprising that the bulk markets are enjoying an upswing. In 2002 Capesize spot rates exceeded those of the banner year in 2000 with time-charter rates reaching the US$30,000 per day mark by the year end.

The question, however, is: How long will the upswing last? Looking at the underlying economic fundamentals the recovery would appear relatively fragile and hopefully history will not repeat itself with owners responding to firm freight markets by rushing to the yards to place newbuildings. Accelerated fleet growth could result in the next bottom cycle and could develop faster than expected.

6 month time charter (average) – bulk carriers



Source: Clarksons Research Studies

Container carriers (Shipping portfolio: 13%)

The container sector has witnessed spectacular trade growth over the last 20 years, driven by the increasing globalisation of trade and the unitisation of general cargo. Healthy trade growth is expected to continue, although the downturn in the global economy caused container trade growth rates to fall in 2001 and early 2002.

The demand-supply balance deteriorated in 2001 and this continued into 2002, owing to a large number of Post-Panamax newbuildings entering the fleet. This inevitably had a negative effect on the charter market with the largest vessels hardest hit.

However, the market unexpectedly rallied towards the middle of 2002 with liftings on the Trans-Pacific route in particular recording notable increases. As a result, the liner operators will be in a stronger position in 2003 to re-negotiate rates with shippers. The charter market is also expected to improve with the medium sized vessels most likely to benefit.

LPG carriers (Liquified Petrol Gas) (Shipping portfolio: 2%)

World LPG trade is forecast to grow at an average of 6.6% per annum until 2005. The Middle East will provide 39% (4.7 million tonnes) of the additional volume, with Saudi Arabia's exports projected to increase by 33% come 2005. Other significant contributions will come from North Africa, Latin America and Australia. Ordering within the LPG sector has been high considering the long life of LPG carriers and the low demolition levels in this sector. Therefore the orderbook, which represents 12% of the current fleet in cubic metre terms, can be considered high. This is a niche sector and it doesn't take many ships to destabilise the freight market. Income margins for the top players are low.

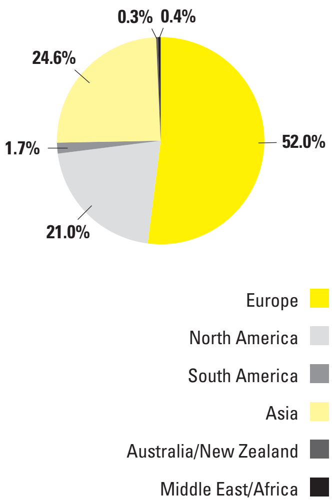
LNG carriers (Liquified Natural Gas) (Shipping portfolio: 2%)

Natural Gas is projected to increase at a faster rate than all other fossil fuels: 4.1% growth rate per annum over the next 20 years. In terms of BTU (British Thermal Unit – a British measure of energy), natural gas surpassed the use of coal for the first time in 1999 and by 2020 is expected to outstrip coal by 38%. The environmentally friendly characteristics and cost effectiveness of natural gas in comparison with other fossil fuels will ensure a rapid increase in future demand.

LNG shipping trade is also projected to grow rapidly due to the geographics of gas reserves and the consuming countries. Depletion of pipeline supplied reserves in North America and the North Sea will inevitably boost demand and the forecast is that LNG trade will increase from 143 bcm (billion cubic metres) in 2001 to 262 bcm in 2010: an average growth rate of close on 8%.

LNG vessels on order constitute almost 57% of existing tonnage. The fleet is expected to expand from 132 vessels in 2002 to 193 vessels by 2006. Barring any unforeseen developments, LNG trade will continue to grow well into the next decade. It is projected that by 2010, 250 vessels will be required to accommodate the growth in trade, while an additional 60 vessels will need to be delivered during the following decade. Long-haul movements from remote areas, coupled with spot and short-term trading, are set to increase the demand for shipping capacity.

Shipping portfolio by country



Portfolio analysis

Market position

Shipping is the largest division within DVB with customer lending totalling €4.41 billion net as at the end of 2002. This amount – representing the aggregate of loans and advances to customers, guarantees and indemnities, irrevocable loan commitments and securities held as a result of customer business – is slightly below last year's figure, primarily due to exchange rate movements, namely the weakening of the US dollar against the euro.

The continued success of our Shipping division is rooted in our ability to maintain close relationships with existing clients through nine offices located in some of the most important shipping centres in the world. Our presence in and knowledge of these local markets also plays an essential part in the development of new relationships. The marketing value of our global presence is further strengthened by the close co-operation of local offices with DVB Capital, the bank's corporate finance division, which allows us to present tailor-made solutions and expert advice to our selected customers.

The combination of consolidation in the banking industry in general and in the ship finance sector in particular, together with the decision by several banks to withdraw from the sector, has reduced the number of players in the ship finance market. In the event, this has not led to a reduction, in absolute terms, in the total amount available for lending to shipping projects which, as with our own portfolio, has grown steadily over the last decade.

Although the reduced number of competitors has helped us secure our position as one of the top ten global shipping banks, the fact that we are able to bring unique solutions to our clients has proved an equally important factor in the development of the bank's international profile. Our determination to become more active as a lead arranger of deals and to offer tax efficient financial products and advisory services to our clients, has resulted in us becoming one of the top five commercial banks in the ship finance industry, a sector largely dominated by state owned banks.

The Research and Strategic Planning Department (RASP) has not only provided our commercial offices with valuable up-to-date information on shipping markets, ensuring that they are alert to the latest developments, but has also illustrated to our clients and potential customers the level of commitment we have to the shipping industry.

Shipping portfolio 2002

Lending volume:
€4,408 mn

Loans drawn incl. guarantees and indemnities:
€3,760 mn

Average lending exposure:
€21.3 mn

Volume of new transactions 2002:
€1,643 mn

Number of new transactions:
71

Number of clients:
207

Agent in terms of overall portfolio:
22%

Agent in terms of new transactions in 2002:
41%

Strategic factors central to our success

Shipping expertise

Regional network ensures strong global presence:
Rotterdam, London, New York, Singapore, Hong Kong, Bergen, Hamburg, Piraeus, Curaçao

Synergy benefits between Shipping, other Transport Finance divisions and DVB Capital (Corporate Finance)

Landmark Shipping deals in 2002

CMA CGM
Financing of two container vessels to be placed in a DVB arranged UK lease. Value: US$88 million. DVB acted as lead arranger.

Star Tanker PTE LT
Financing of a VLCC (Very Large Crude Carrier) newbuilding facility. Value: US$66 million. DVB acted as arranger and book runner.

DOF Rederi
Fleet financing. Value: NOK1 billion. DVB acted as joint arranger and underwriter.

Gearbulk
Standby Letter of Credit facility. Value: US$104.6 million. DVB acted as co-arranger and co-underwriter.

Pride International
Financing of offshore drilling rigs. Value: US$250 million. DVB acted as co-underwriter.

Teekay
Pre and post delivery finance for two newbuilding Aframax tankers and three Suezmaxes. Value: US$180 million. DVB acted as agent, lead arranger and co-bookrunner.

CSAV
Refinancing of an unsecured revolving credit facility. Value: US$95 million. DVB acted as agent, arranger and bookrunner.

Shipping portfolio development

Despite the depressed market situation, 2002 proved another good year for us during which new lending amounting to €1.64 billion was realised, of which €519 million was syndicated to other banks. By the end of 2002, a total of €1.43 billion of syndicated loans were under our management/agency. The reduction in lending volume (relative to 2001) reflects the market situation in the shipping industry in general, a large part of counter-cyclical lending having taken place during the second half of 2001. However, it also coincides with the running down of our non-strategic exposures and the implementation of a new strategic focus on larger clients, consisting of professionally managed shipping companies capable of performing well in a highly cyclical market. This focus fits well with our willingness to adopt a leading role in loan arrangements including large volumes which are often syndicated to other banks. We acted as agent for 41% of our new business in 2002.

Overall, the current Shipping portfolio, consisting of a strong customer-base of 207 clients world-wide with an average lending exposure of €21.3 million, is highly diversified in terms of segments of the shipping industry. The number of clients fell compared to 2001, reflecting the incentive to restructure and/or materialise non-performing loans and the maturity of others. A point to note here is that DVB was one of the few banks that did not have to set aside provisions for shipping loans in 2002. As a result of our philosophy of counter-cyclical lending, we feel very confident that our clients will also be able to weather the uncertainties of 2003.

Apart from the development of supplementary financial services, our main business continues to be mortgage lending: 95% of our portfolio is secured and 95.4% of the secured portfolio has a loan-to-value ratio of less than 80%. The remaining part of our portfolio consists of unsecured loans to investment grade companies or equivalent non-rated companies. Security is closely monitored and most of the loan agreements are, at the least, subject to annual valuations by external appraisers.

The global characteristics of the shipping industry are reflected in our portfolio which includes exposure to mostly OECD (Organisation for Economic Co-operation and Development) countries. Our main markets are Norway, the US, Greece and the United Kingdom. Loans are classified according to economic risks, the source of the cash flow, the location of the asset, any recourse and the quality of management. The five largest sectors are represented by crude oil tankers (18%), bulk carriers (14%), container vessels (13%), off-shore vessels (11%) and product tankers (10%).

Transport Finance – Aviation

DVB is a leading provider of financial services to the aviation industry. Our Aviation division combines its industry knowledge, supported by a strong network of relationships, with Corporate Finance expertise (DVB Capital) to provide value-added solutions to our customer base. Our long-standing strategy has been to create a highly diversified portfolio collateralised by modern aircraft. Our success in this endeavour has enabled DVB to ride the storm that followed the events of 11 September 2001 and, in today's uncertain political and economic climate, has yet to abate. We believe market conditions will favour a specialised institution such as DVB and we expect to capitalise on the opportunities presented by the retrenchment of other institutions. We therefore look forward positively to 2003.

Market review

The year 2002 was widely perceived as a "recovery period" following the events of 11 September 2001. Indeed, one of the most commonly used phrases during the year was: "11 September."

11 September: The aftermath

The terrorist attacks in New York, although crippling to the industry, served to disguise the inadequacies of certain airlines and their respective managers. Many airlines used the attacks as a "perfect excuse" to address bloated cost bases that were already apparent before 11 September 2001. By the end of the first quarter of 2001, the economic slowdown that had impacted on the US had spread across the Atlantic and began to influence Europe. In the event, the industry proved slow to appreciate the severity of the downturn and, as major cost items surged, revenue slowly decreased.

Estimates of the losses suffered by the airline industry in 2001 total a staggering US$18 billion. Throughout 2002, most airlines struggled to keep in the black, even after shedding more than 100,000 jobs during the year. Data from IATA and company reports indicate that from 11 September 2001 to the end of 2002, airlines collectively lost almost as much as they made in profits during the previous four years.

It was only as a result of huge injections of state aid that the US industry was kept alive during the last quarter of 2002 with US$5 billion issued in cash grants and US$10 billion made available courtesy of state loan guarantees. This caused uproar among rival European carriers who claimed that the US Government was distorting global airline competition. In terms of the direct costs incurred during the four-day closure of US airspace, European carriers received exceedingly limited compensation.

Forecast demand for passenger aircraft

BOEING

23,929
aircraft
(> 50 seats)
~ €1,700 bn*

2001-2021

AIRBUS

18,202
aircraft
(> 70 seats)
€1,700 bn*

2001-2020

Annual investment volume: approx. €85 bn

*listed prices

Sources: Boeing, Current Market Outlook 2002 and Airbus Global Market Forecast 2002

Aircraft: Orders reduced

Demand for air travel has yet to fully recover from the terrorist attacks. Although gains were reported during the September through December 2002 period, the actual number of passengers remained well below 2000 levels. In response to depressed market conditions, airlines parked several hundred aircraft and, in addition, permanently removed other aircraft from service through accelerated retirements. The number of new aircraft on order or option was also reduced.

The fall in aircraft deliveries had a hugely adverse impact on the industry's labour force, witness the laying off of almost 30,000 Boeing employees and the financial collapse of Fairchild Dornier.

It is estimated that an industry upturn would prompt the airlines to retrieve aircraft from their desert storage at a rate equivalent to one year's production at current levels (600 to 1,000).

Historical analysis suggests that downturns in the civil aviation market follow a four-year cycle (peak to trough). Hence, orders and deliveries may not reach their lowest levels until 2004 or 2005. Nevertheless, both manufacturers, Airbus and Boeing, predict levels of aircraft demand for the 20 year period 2001-2021 that translate into an annual investment volume of approximately €85 billion.

Europe: Signs of recovery

As seat capacity was reduced due to diminished passenger demand in 2002, load factors were increased back to pre-11 September 2001 levels. However, the break-even load factor had risen significantly. Lower prices and higher costs (e.g. security, insurance) equated to the need to sell more seats in order to avoid losses.

Signs of recovery were clearly evident in Europe, with many of the established carriers expected to report a profit for 2002. Asian airlines, supported by affluent regional economies, largely avoided the ripples of the crisis. In contrast, the US airline industry remained depressed, with high profile carriers such as US Airways and United Airlines filing for Chapter 11 bankruptcy protection.

Business travel – once the major earner for the large traditional airlines – was hardest hit. What little business transit that continued during 2002 typically commanded leisure (economy) class fares.

Low-cost airlines prove the exception

The low-cost sector has proved the exception throughout the entire crisis. Even in the US, where the profits of low-cost carriers decreased, these airlines displayed significantly greater resilience than their major US counterparts. In Europe, players in this sector such as Ryanair and easyJet, strengthened and expanded, capitalising on the traditional carriers' shortcomings. The no-frills carriers emerged as saviours of the manufacturing sector with Ryanair placing firm orders for 100 Boeing 737-800s and easyJet placing firm orders for 120 Airbus A319s. In the battle for survival, certain traditional carriers were forced to consider similar cost saving methods to those practised by their no-frills rivals. Some airlines actually introduced plans for setting up their own low-cost operations e.g. British Midland (bmibaby).

Apart from an abundance of would be new-entrants, the low-cost sector also showed signs of consolidation, notably with the surprise takeover of Go by easyJet, its long-standing UK rival.

Low-cost airlines – year of foundation:

1985: Ryanair
1995: easyJet
1996: Virgin Express
1998: Go
2000: Buzz
2001: Germania
2002: Hapag-Lloyd Express, Germanwings, My Travel Lite, bmibaby, dba

Under pressure

The collapse of European national flag carriers such as Swissair and Sabena came in 2001. Although these two airlines were already in a state of disarray, the events of 11 September 2001 proved a contributory factor to their eventual demise. State encouragement brought about the continuation of certain operations, albeit under different names. Swissair resumed operations as "Swiss", but not on the same scale.

The normally tranquil Australian market was disturbed by a ruthless price war between Ansett and the new-entrant low-cost operator, Virgin Blue. Ansett, a key player in the Australian aviation industry for the past 66 years, subsequently halted its services in March 2002 after almost six months in administration.

Insurers refuse to provide third party war risk cover

Billions of dollars were allocated in 2002 to the increasingly complex global efforts to improve aviation security. Measures such as ballistic-proof cockpit doors and the provision of extensive additional passenger data at check-in were introduced with a strict timeframe for installation. The EU countries have yet to fully agree a united response to harmonise security standards.

Immediately after the events of 11 September 2001, insurers cancelled war cover for a great many aircraft. Thousands of aircraft would have been grounded had it not been for state intervention, this time in the role of temporary insurers (in many regions/countries, temporary insurance is still in place). Insurers are still refusing to provide airlines with third party war risk cover, formerly issued at no extra charge to most carriers. The proposed alternative for governments is to create regionalised mutual insurance companies to provide half-price comprehensive, non-cancellable, cover.

Mergers and Acquisitions activity

The management buy-out of Swissair Group's maintenance offshoot SR Technics was completed on the same day that Texas Pacific, the US private equity firm, finalised its US$186 million purchase of the Swiss company's catering unit, Gate Gourmet. The MBO (Management Buy-Out) of SR Technics was largely financed by European venture capitalists 3i.

UK low-cost carrier easyJet completed its acquisition of rival Go at a cost of US$546 million funded by a rights issue and approximately a third in cash.

Lufthansa announced the sale of its 25% stake in DHL International, the parent company of DHL Airways, to existing DHL International shareholder Deutsche Post World Net.

The merger of Japan Airlines (JAL) and Japan Air System (JAS) was formalised in October with the start of trading in a new joint holding company: Japan Airlines System Corporation.

Swissair Group finally sold its ground-handling business Swissport to Candover, the UK investment group, for US$343 million. The UK firm plans to retain Swissport's existing management.

Qantas Airways' proposal to acquire a 22.5% cornerstone shareholding in Air New Zealand through the purchase of redeemable convertible notes, equivalent to 4.99% interest, was approved.

Gruppo PAM, the Italian food retailer, agreed to acquire Nuance Group, Swissair Group's airport retail subsidiary, for US$245 million.

Outlook for 2003

It is difficult to predict, with any accuracy, when demand for air travel will return to normal. Some analysts expect certain airlines to reach break-even by mid-2003, with the entire industry following suit by 2004/2005. What is certain is that the industry faces unprecedented challenges. Load factors are expected to continue to rise. Key sectors, such as the business travel market, are expected to remain weak as yields are kept under pressure. Hence, airlines must continue to focus on cost control, increased productivity, ongoing trimming of capacity and the safeguarding of cash.

Portfolio analysis

Global presence

DVB's presence in the major centres and time zones provides a significant competitive advantage, particularly in terms of business origination. Specialised Aviation marketing teams are situated in London, New York and Singapore. Our London branch services aviation clients in Europe, the Middle East and Africa, while our New York representative office plays a key role in marketing and transaction negotiation in North and South America. DVB Group Merchant Bank Asia Ltd is Singapore-based and responsible for business development in Asia, Australia and New Zealand.

Access to the important Japanese aviation market is enhanced through the efforts of our subsidiary International Transport Finance Limited and its branch in Tokyo. In addition to maintaining an active dialogue with airlines and (aircraft) leasing companies, the Tokyo office also supports the marketing effort to target Japanese clients in Shipping and Land Transport. Such presence in Japan enables DVB access to the Japanese Operating Lease ("JOL") market, which has remained a significant source of capital for aircraft financing: JOL transactions were concluded involving British Airways and LanChile. DVB acted as debt arranger and agent. These transactions have contributed to DVB's reputation in the Japanese financial community as a reliable partner in our chosen "niche" areas.

A successful 2002 despite unprecedented conditions

During 2002 we realised 31 new transactions with aviation clients, representing an underwriting volume of €860 million. We acted as agent and/or arranger in respect of three-quarters of this newly acquired business. New business has been concluded with existing clients and, in addition, we won nine new aviation clients. We strengthened our existing business relationships with clients such as Iberia, SAS Scandinavian Airlines System, Northwest Airlines and Singapore Aircraft Leasing Enterprise (SALE). New transaction relationships have been formed with companies such as ORIX Corporation (Japan), Croatia Airlines, Frontier (the US airline) and Jet Airways (India).

Expectations in 2001 were that the recessionary environment would lead to a significant improvement in lending margins and general terms and conditions in the near-term. Such expectations materialised in 2002, undoubtedly assisted by the events of 11 September 2001. Thus, in contrast to a relatively conservative policy in respect of loan asset growth in 2001, our Aviation team adopted a more aggressive approach to the expansion of our lending portfolio (predominantly US dollar) in 2002, albeit without any compromise in respect of DVB's conservative aviation industry lending policies.

Many of our traditional competitors scaled back their respective lending activities and, in certain instances, withdrew from the market. In contrast, DVB's constant presence in the market, aided by a consistent strategy, led to a steady flow of new business throughout

Aviation portfolio 2002

Lending volume:
€2,200 mn

Loans drawn incl. guarantees and indemnities:
€1,982 mn

Average lending exposure:
€24.2 mn

Volume of new transactions 2002:
€860 mn

Number of new transactions:
31

Number of clients:
91

Agent in terms of overall portfolio:
39%

Agent in terms of new transactions in 2002:
55%

Landmark Aviation deals in 2002:

ACA Atlantic Coast Airlines
Loan facility in relation to the US leveraged lease financing of three CRJ-200ER Bombardier regional jets. DVB acted as arranger and agent.

Air New Zealand
Loan facility to refinance one Boeing 747-400. DVB acted as arranger and agent.

Pembroke Capital
Limited-recourse debt facility in relation to one Boeing 737-400 on operating lease to Futura (Spain). DVB acted as arranger and agent.

Korean Air
Lease financing of three new Boeing 737-900 aircraft. DVB acted as co-arranger.

Air Wisconsin
Loan facility to finance the acquisition of four CRJ-200LR regional jet aircraft. DVB acted as arranger and agent.

Air Berlin
Finance lease of one CFM56-7B27 engine. DVB acted as arranger.

ORIX Corporation
Japanese Operating Lease ("JOL") of two Airbus 319-100 aircraft operated by British Airways. DVB's subsidiary office in Tokyo was debt arranger.

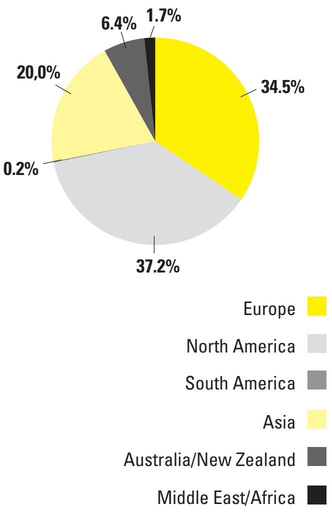
2002. Bearing in mind the fact that the business "pipeline" gathered further momentum during the last quarter, we are confident that we can improve upon the healthy level of activity experienced during 2002 in the current year.

Some of DVB's clients continued to suffer from the impacts of the terrorist attacks and the industry downturn in general. Thus, a great deal of attention and internal resource was once again diverted to the close monitoring of Aviation's portfolio of assets, in particular "watch-list", and a small number of non-performing loans. Our team has continued to take any necessary steps to safeguard our position as secured lender, benefiting from a first-priority mortgage over relevant aircraft to secure our loan commitments. We are confident that the non-performing loan assets will be successfully re-structured and reorganised, taking appropriate advantage of the (aircraft) security afforded to the banks, and will not lead to any losses for DVB.

Aviation portfolio development

The total Aviation finance portfolio increased by 5.9% to €2.2 billion as at the end of 2002. The portfolio remains geographically well diversified (by economic risk) as between North and South America (37.4%), Europe/Middle East/Africa (36.2%) and Asia (including Australia/New Zealand) (26.4%). The collateralised portfolio represents 94.6% of total assets: collateral is predominantly Boeing (64.9%) including McDonnell Douglas and Airbus jet aircraft (24.9%), of which 29.3% are 1999-2001 vintage and 17.0% 2002-2003 vintage. The portfolio is also well diversified by client: a total of 91 aviation clients gives an average exposure per client of €24.2 million. The division's largest individual client exposure currently stands at €103.8 million. There are only 13 clients where the committed exposure is in excess of €50 million.

Aviation portfolio by country



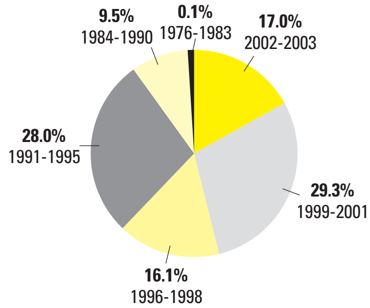
Outlook for 2003

In anticipation of industry and market conditions that will favour specialist financial institutions (as in 2001), DVB is targeting significant growth in its Aviation portfolio for 2003. In addition to our traditional business involving the provision of collateralised loans, guarantees and other credit lines alongside straight debt, finance lease and operating lease structures, our team expects to develop its aviation activities in other product and service areas, particularly in terms of Structured (Asset) Finance. We will focus on further expansion of our (pure) fee-based business, which represents an increasingly important component of the Aviation division's revenue. In addition to our arrangement, underwriting, syndication and loan agency operations, other activities will include structuring tax and/or off-balance sheet leases and the ongoing provision of advisory services for our aviation client base.

We find it encouraging that our clients increasingly perceive DVB as a consultant in terms of specialised financial structures. We have been involved in pioneering a short-term aircraft “warehousing” (storage) financing structure for two of our major European clients. Another European client approached us to act as an arranger (alongside a small number of other banks) of a financing “umbrella” facility for multiple aircraft.

The aviation industry faces another year of challenges in 2003. However, we look forward to 2003 with considerable enthusiasm as we continue to develop our Aviation industry “franchise”.

Aviation portfolio by vintage (%)



Transport Finance – Land Transport

**In mid-2002, as part of the CHANGE project, we consolidated our Rail activities as well as our core Road & Logistics business and transferred both to our new Land Transport division.
This reorganisation is designed to:**

- **enhance profitability derived from the consolidation of handling expertise;**
- **launch our structured business at international level;**
- **improve the leverage of synergies within DVB; and**
- **focus on clients that meet our long-term volume and profit requirements.**

Market review

In 2002 land transport also felt the impact of global and regional economic developments. In addition, new regulatory developments provided a number of interesting opportunities during the course of the year.

Lower investments in the European rail transport sector

The economic downturn led to a fall in vehicle orders in the rail sector with private providers, in particular, scaling back their wagon orders. The worsening budget situation of city councils and municipalities combined with the European Union's anticipated measures to deregulate local transport services have resulted in lower investments in rolling stock. Several cities opted for US cross-border lease transactions to finance new trams that had already been delivered.

Magdeburg ruling on regional passenger transport

In June 2002 the Procurement Chamber in Magdeburg prohibited the free award of parcel services transported by way of regional passenger transport to Deutsche Bahn AG in Saxony-Anhalt, which had not been subject to prior public tendering, with the aim of achieving greater transparency and competition. The ruling had far-reaching consequences for several Federal states throughout Germany. In September 2002 the Federal Government approved an amendment to the awards regulations, under which the Federal states are relieved from having to put out to tender their rail transport services throughout Europe until 2014. Deutsche Bahn's competitors may appeal against the new regulations.

Private-sector rail transport providers

European rail companies are subject to mounting pressure from private sector providers. Increasingly, large industrial and logistics enterprises are buying into independent rail transport companies. Aided by efficient solutions such as operating lease structures, private rail companies are gaining better access to modern and reliable traction equipment. These solutions remove the pressure on their own resources and encompass lease periods that often correspond to the term of each order. However, the privileged position of the large, previously state-owned rail companies in Europe, remains uncontested to date.

Deutsche Bahn AG's new fare system

Heralded by a major PR campaign, Deutsche Bahn last year introduced a new public transport fare system aimed at enhancing the attractions of rail transport and, in turn, income. The new system has been subjected to harsh public criticism. It remains to be seen how customer demand develops in 2003 and whether better control over the utilisation of train capacity can be achieved.

Go-ahead for truck road tolls in Germany

In September 2002, after a protracted bidding battle, the Federal Cartel Office confirmed the award for the establishment of a road toll system for trucks to DaimlerChrysler Services, Deutsche Telekom and Cofiroute's Toll Collect consortium, freeing the way for a precise calculation of tolls on German motorways. At the end of last year the financing structure of the toll project was still under development.

Growth and consolidation in the logistics market

The framework for a comprehensive outsourcing of complex logistics services has improved. At the same time, the continued trend towards globalisation led to further consolidation during the course of 2002. Shippers' requirements in terms of a comprehensive logistics network have increased and their intention is to co-operate with fewer logistics partners. Major national postal companies in Europe are contributing to the ongoing market consolidation by taking over further logistics providers. Global private logistics companies, operating in the significant US, European and Asian markets, have followed suit and are acquiring niche providers and regional logistics enterprises. An economic upturn will bring about pronounced growth in the logistics market and in the number of contract logistics projects.

Landmark Land Transport deals 2002:

ACF Industries, Incorporated
Loan facility for a fleet of 1,593 freight cars in the North American rail market.
DVB was co-arranger.

Leading European freight car lessor
Direct financing of 300 standard covered freight cars.
DVB was sole debt provider.

Hohenzollerische Landesbahn – HZL
Financing of 20 RegioShuttle RS1 diesel motor units for regional passenger transport. DVB was sole debt provider.

Autoterminal Neuss – ATN
Direct financing of a tri-modal automobile transhipment terminal.
DVB was sole debt provider.

Siemens Dispolok
Operate lease financing for Siemens ES 64 U2 and ES 64 F4 electric locomotives. DVB was co-lead arranger and asset-based lender.

Dopravní Podnik HL.M. – Metro Prague
Long-term loan for 20 Siemens M1 subway trains. DVB was lead arranger.

Change in UK franchise regime

The issue of a Franchising Policy Statement in November 2002 marked the departure of Britain's Strategic Rail Authority (SRA) from long-term franchise agreements, instead switching to terms of five to eight years. The SRA expects this to lead to more stable and realistic bids from operators in the UK's public transport sector and, in turn, to a considerably higher degree of consistency and security for passengers and investors. In early autumn 2002, Railtrack's successor Network Rail officially commenced operations and announced a significantly higher investment package in respect of Britain's rail network. The successful conclusion of a financing package with the Tube Lines consortium represents a major step forward in the process of privatising certain aspects of the London Underground. The financing for the Metrolines consortium is to be syndicated and signed in early 2003.

Land Transport portfolio 2002

Lending volume:
€690 mn

Loans drawn incl. guarantees and indemnities:
€629 mn

Average lending exposure:
€6.4 mn

Volume of new transactions 2002:
€119 mn

Number of new transactions:
10

Number of clients:
98

Agent in terms of overall portfolio:
none

Agent in terms of new transactions 2002:
none

Financing structures post-Enron

US investors have started to exercise far more caution in respect of non-transparent financing structures, with synthetic lease financing losing much of its attraction as a result. The downward adjustment of the ratings of several large companies has served to deny several market players access to refinancing options in the commercial paper markets. Developments in the North American economy in 2002 led to a collapse in orders for new wagons to around one quarter of the level that reigned just three years ago. Market players expect a modest recovery in wagon construction in 2003.

Technological progress

2002 was marked by two technological milestones: Following a construction phase of less than two years, the route between Shanghai and Pudong airport, using mag-lev Transrapid technology developed in Germany, was opened towards the end of the year. In October 2002, the Canadian company Bombardier Transportation introduced a gas turbine powered high-speed locomotive, the JetTrain, which is designed to emit far lower noise levels, while not being dependent on electrified networks.

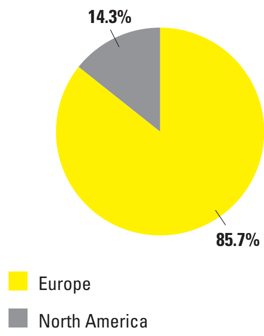
Portfolio analysis

Despite a weaker economy in 2002, our new Land Transport division emulated the historic success of the Rail and Road & Logistics segments, achieving stable business figures and improved profitability. This reflected intensified client management in the US, increased efforts in Europe and successful co-operation with our DVB Capital division.

Reorganisation of Land Transport

Land Transport is currently the third largest section of DVB's Transport Finance division. Our core business includes the financing of rolling stock, selected bus and truck fleets and logistics projects (e.g. loading terminals, logistics and distribution centres) which are not structured under cash flow driven, non-recourse project financing arrangements. This serves to enhance the Land Transport division's marketing position in respect of target customers.

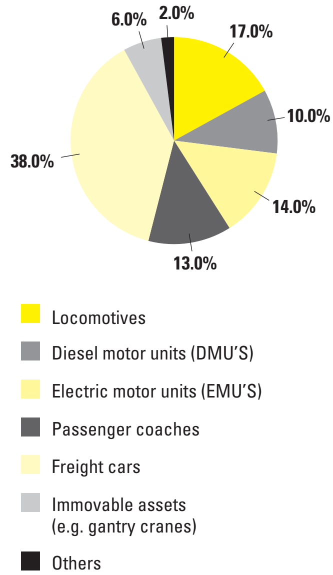
Land Transport portfolio by country



Core markets Europe and North America

Freight cars, railcars in regional passenger transport and train engines financing represents the backbone of the financing business in the rail sector, complemented by selected terminal facilities in the road and logistics fields. An important aspect of our portfolio relates to beneficial agreements with a leading European locomotive leasing company. Our participation in a prestigious urban passenger transport system project serves to confirm our flexibility and expertise as a land transport partner. Thanks to targeted acquisitions and convincing structural activities, we were also awarded a principal role in financing a freight cars fleet for a major North American wagon leasing corporation. We expect to expand our business activities in these fields. Notwithstanding the economic environment, we accelerated our efforts to attract new clients in Japan and we anticipate an improvement in the project and object financing sector in Asia Pacific.

Land Transport portfolio – asset types (%)



Our products

Our classic long-term financing products represented our most successful activity in 2002, while we also employed the full range of structured credit products including leveraged, operating and cross-border leases, bridge financing and derivative products. The number of mandates in respect of structuring, financing and syndication awarded to us rose towards the end of 2002, strengthening our position as sole debt provider, co-arranger, etc. In October 2002, DVB attended the 12th Annual International Rail Finance Conference in London, organised by Euromoney.

Outlook for 2003

We are confident that our strategic groundwork has provided us with a promising basis for optimised market activities, an improved focus on our core Land Transport business and a continuation of the successes of recent years. Our existing mandates encourage us in the belief that we are on the right track. Optimisation of the portfolio in terms of target client management, the balancing of the Rail, Road and Logistics segments, credit protection and earnings remain among our top priorities.

Transport Finance – Transport Infrastructure

Transport Infrastructure focuses on the creation of tailor-made financial products for transport-related infrastructure projects. To achieve this we work closely with the bank's other Transport Finance teams and DVB Capital in order to optimise financial solutions for the benefit of our clients. We also act as financial advisers to bidding consortia (e.g. airport privatisations) and public authorities and have established a leading advisory role in relation to toll road projects in Germany. Our intention is to extend our role as a financial adviser in respect of international infrastructure projects.

Market review

The long-term nature of project financing, combined with ongoing developments in respect of privatisation, deregulation and globalisation, has found reflection in a continual increase in the total volume of project finance. When the economic slowdown picks up, the investment potential for transport-related infrastructure projects that was postponed after 11 September 2001 will again become apparent. The need for infrastructure investments to underwrite economic growth and development is enormous.

Airports: Attractive in the long-term

The performance of European airports registered little overall change due to the sector's ability to delay investments, save costs and raise tariffs coupled with the significant growth of low-cost airlines. The financial profiles of airports and their ratings depend on ongoing passenger confidence, traffic recovery and financial control. Traffic recovery is difficult to predict and as the prospect of conflict looms in the Middle East, the recovery may well take longer than expected. In general, airports remain highly attractive to lenders and investors in the long-term bearing in mind the fact that project financing in this sector offers stable financial performance, based on historic growth rates, and is synonymous with sustainable cash flows.

Seaports and terminals: Transport volumes expected to rise

Container traffic, overall, enjoys an average historic growth rate of 9.2%. Despite the economic weakness reflected in marginal industrial growth during 2002 the container lifting business improved by some 4.2% compared with 2001. There were distinct regional variations with Asian ports experiencing significantly higher growth rates than their European and North American counterparts. In the event, the growth in container traffic volumes can be expected to continue. The scale of economic recovery and political factors will determine developments in Latin America, while increased European demand for oil and liquid natural gas is expected to signal higher transport volumes. This, in turn, should serve to underwrite increased investment in seaport infrastructure and terminals.

Rail infrastructure: A major political challenge
A fundamental strengthening of the European railway sector is an integral aspect of the European Union's transport strategy and ranks high on the agenda of most member states. In the event, the rail sector receives substantial support to enable it to compete with other means of transport and significant ongoing investment in new high-speed rail links will be required in order to facilitate the Trans European Network (TEN) programme. The reorganisation of rail services, the introduction of competition and the dismantling of financial restraints represent a major political challenge.

Toll roads: Increased European demand for project finance
Demand for project finance from the toll road sector, particularly in Europe, registered a considerable increase reflecting the general scarcity of public funds. Almost all countries in Europe, including Germany, are attempting to establish a method of financing trunk roads and highways other than through public funds. In countries such as the United Kingdom, France, Spain and Portugal, the toll-road sector is sufficiently mature to permit refinancing opportunities through the capital markets, a route that can ultimately reduce credit costs. The primary use of so-called "shadow toll roads," as in Portugal, mitigates the toll-inherent traffic risk and paves the way towards private financing that encompasses less busy highway networks. "Shadow toll" schemes involve direct transfer payments by public-sector authorities to private operators entrusted with certain tasks such as the construction, financing, maintenance and operation of roads. In contrast, operator schemes involve a "real" toll, charged directly to road users by a private-sector operator.

Transport Infrastructure portfolio 2002

Lending volume:
€270 mn

Loans drawn incl. guarantees and indemnities:
€137 mn

Average lending exposure:
€16.9 mn

Volume of new transactions 2002:
€140 mn

Number of new transactions:
5

Number of clients:
15

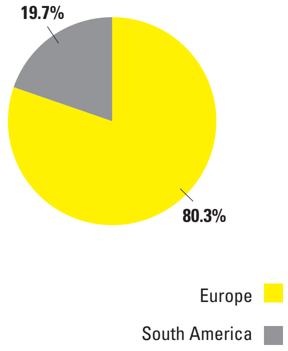
Agent in terms of overall portfolio:
9%

Agent in terms of new transactions in 2002:
17%

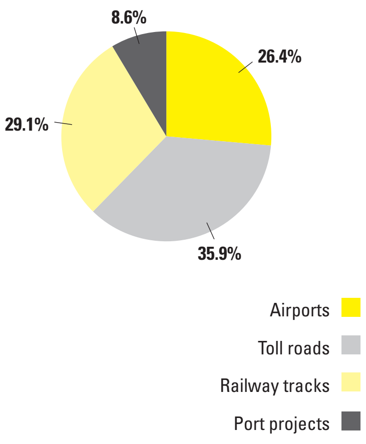
Portfolio analysis: Specific projects

Project Carbopoort – Rotterdam
One of Europe's largest coal terminals is currently under construction in the Port of Rotterdam. This is a remarkable project, not merely because of the terminal's size or the application of a unique form of emission-control technology, but also in terms of the corporate shareholding structure and off-balance sheet accounting features, courtesy of a highly focused financial engineering exercise. DVB acted as technical agent and co-arranger of the financing package. The financial and operational features have been designed to ensure that all US GAAP terms and conditions for recognition as an operating lease are fulfilled.

Transport Infrastructure portfolio by country



Transport Infrastructure by projects (%)



Project Sangster International Airport – Jamaica

Sangster International Airport is the Caribbean gateway to Jamaica's holiday resorts and is the largest of Jamaica's two airports. Following a bidding process the Government of Jamaica awarded a 30-year concession on a Build-Operate-Transfer basis to a consortium which established a Special Purpose Company under Jamaican law. After a successful tender process, DVB Bank was exclusively mandated by the International Finance Corporation (IFC: the World Bank's private enterprise arm) on behalf of the sponsors as underwriter and arranger of the IFC 'B' loan project financing. This is the first time we have acted as the sole underwriter and arranger of a project financing facility for an international airport. The facility will be used for the development, construction, maintenance and operation of the airport.

Financial Advisory

The potential originators for Financial Advisory Services are bidding consortia (e.g. for toll roads or airport privatisations) and public entities such as Transport Ministries. DVB participated in various tender processes last year, mostly in Germany but also in other EU countries. Some of these tendered mandates are still under negotiation but a financial consultancy mandate, in relation to a feasibility study in respect of a planned relief road tunnel, was awarded to DVB in 2002 by the Ministry of Transport of a large German Bundesland (jointly with the Federal Ministry of Transport, Housing and Construction).

Outlook for 2003

The private sector will play an increasingly important role in transport-related infrastructure financing with the growth in Public Private Partnership (PPP) schemes influenced by both political and economic factors. DVB's diversified portfolio across all transport sectors worldwide helps to maintain our relative independence from developments in individual sectors and geographic regions. Our ability to react swiftly to changes in market trends and focus business activities accordingly, represents a strategic opportunity. Our priority during 2003 is to extend our portfolio via quantitative and qualitative growth through the selection of high-quality medium-sized transport infrastructure projects and through qualification as a financial partner to act as arranger and underwriter. We are also strengthening our efforts to be mandated as financial adviser in respect of international infrastructure projects.

DVB Capital

During 2002 Corporate Finance was re-branded as DVB Capital with its main operations based in London and Rotterdam. DVB Capital comprises four segments: Structured Asset Finance, Distribution, Advisory and Group Investment Management. In close co-operation with our Transport Finance divisions, DVB Capital offers tailor-made solutions and complex financing structures to clients through its consulting services. DVB Capital thus plays a key role within DVB.

Structured Asset Finance

Our Structured Asset Finance teams are located in Rotterdam and London. We arrange lease transactions that provide our clients with attractive funding levels and the required balance sheet treatment of their assets. The transactions often involve tax-based structuring techniques and multiple jurisdictions. Our specialised knowledge of the specific operational and regulatory requirements of the respective jurisdictions enables us to design tailor-made solutions for our clients. Our team developed various proprietary products for clients during 2002 and successfully closed more widely used structures. Due to our international client base, the range of products was applied to numerous jurisdictions.

Our tailor-made and cross-border solutions in respect of the majority of transactions require specific knowledge of and expertise in:

- Multiple tax, legal and accounting jurisdictions;
- A wide range of structuring techniques;
- Operational and regulatory issues; and
- Underlying asset finance techniques.

With regard to the widely used UK leases, two legal cases (the “Delta” case and the “Barclays” case) led to initial resistance to this product on the part of clients and advisers during 2002. As a result we decided to expand the product range through further development of proprietary non-UK products.

Our first “Dutch Finance” transaction, a proprietary product, was successfully closed with a major container line where we acted as lease arranger and co-investor.

Our strategy for 2003 will focus on the further development of products that can be broadly marketed in order to maintain a high quality of ongoing service for our clients. The UK lease will remain one of our primary products. In response to the trend towards more stringent accounting standards (in the wake of such corporate controversies as Enron, Tyco and Worldcom) Structured Asset Finance intends to develop, in co-operation with Group Investment Management, specific structures designed to facilitate the transfer of the majority of asset ownership risk to third parties, in compliance with the new accounting standards regarding the treatment of off-balance sheet assets.

Distribution

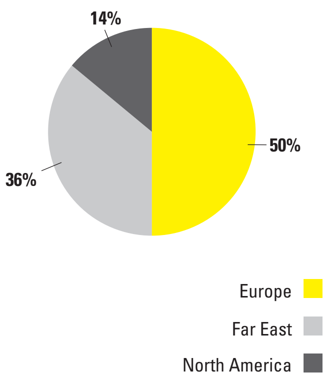
Restructurings and a lack of M&A-driven transactions characterised the general syndicated loan market in 2002, a trend that saw certain banks fail to achieve budgets.

Due to higher incidences of non-performing loans, banks have reviewed their lending strategies and become increasingly credit-sensitive, developments that have also affected asset-backed transactions within the transportation sector. The flight to quality, reflected in a stronger bias towards Blue Chip names, characterised the market during 2002 but, despite the ongoing consolidation among banks, liquidity for good quality asset-backed transactions was available throughout.

The events of 11 September 2001 continued to reverberate in the aviation market and, against this background, the syndication of US airline transactions proved difficult. There was, however, renewed interest in European and Asian airlines. Clients tended to adopt a more active approach to liquidity management and displayed a preference for club deals or relatively small syndicated deals in contrast to large syndicated facilities.

Geographic factors included tighter pricing in Asia and more competitive conditions reflecting competition from domestic banks. In the Americas, lenders' behaviour has been polarised: an absence of appetite for Latin-American deals due to the economic crisis on the one hand, and the sensitive US market on the other, albeit where a strong appetite is still apparent for rated companies at relatively stable pricing. The European market has displayed a satisfactory appetite for quality at generally higher pricing. Additionally, the Basle II Capital Adequacy Regulations have not yet affected the visible behaviour of the majority of banks, apart from the emergence of a preference for shorter tenors.

Distribution deals by country – volume sold down (%)



Our Distribution team is focused on three key areas:
- Syndication of primary debt transactions;
- Private placement of asset-backed debt products; and
- Development of new markets, products and structures to facilitate alternative distribution channels for DVB.

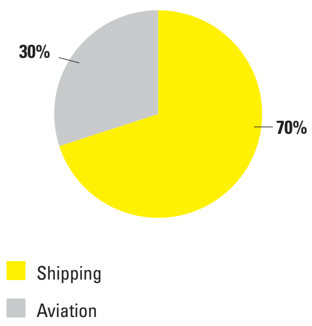
During 2002, our Distribution team completed 15 syndicated transactions in the shipping and aviation sector. A total of US$305 million was underwritten and sold down to third parties, representing 48% of the amount retained on the bank's balance sheet. The average deal size amounted to around US$142 million.

At the beginning of January 2003, a further 11 deals were in syndication, due to be closed shortly.

During 2003 our Distribution team will continue to broaden its syndication capabilities in respect of bank debt. We will investigate and implement alternative methods of placement for risk-weighted assets and, in addition, will look to widen our placement capabilities for asset-backed securities.

During spring 2003 the Capital Market team merged with the Distribution team. This will serve to heighten our focus and reinforce the close co-operation that already exists in respect of structures, markets and investors.

Distribution deals by divisions – volume sold down (%)



Advisory and M&A

Clients of DVB will, to an increasing extent, be exposed to and/or will take the initiative in terms of the trends towards consolidation. The "drivers" of global trade, transportation and competitive positioning, have already proved the catalyst for M&A (mergers and acquisitions) activity throughout the transportation industry, a trend which we believe will continue.

DVB's Advisory and M&A team, which reflects a combination of transport finance and corporate finance expertise designed to support the business focus of DVB, was fully staffed by Autumn 2002. Advisory does not utilise the bank's capital and sources its income from mandate retainers and transaction led success fees. Advisory's first full operational year will be 2003.

Our strategy is to capitalise on a large client base with a broader base of investment banking advisory products and expand the bank's fee income business.

Our Advisory products comprise:

- M&A advice and execution (buying, selling or merging of assets, divisions or companies);
- Private placements (raising private equity);
- Corporate advice (general advice in all matters pursuant to corporate strategy and capital and finance strategy);
- Fairness opinions (valuations of companies or assets; pricing of equity);
- Debt restructuring (restructuring of on/off-balance sheet debt); and
- Acquisition finance (bridging all or part of the purchase price of a company or business).

Advisory and M&A's initial success in 2002 has served to establish a sound platform from which to enhance DVB's advisory business and further increase the bank's fee income.

Group Investment Management

Group Investment Management (GIM) is DVB's fund management activity, with business operations headquartered at our Rotterdam office. GIM currently acts as an advisor to the Deucalion Aviation Fund and NFC (Navigation Finance Corporation) Shipping Funds, both of which focus on investments in high yielding loans/bonds, mezzanine financings and equity participations in aviation and shipping projects. The total amount under management is US$120 million, of which US$50 million relates to the Deucalion Aviation Fund and US$70 million to NFC Shipping Funds. Through this fund management activity DVB has been able to expand its traditional product range of senior and junior financing to clients. Today, DVB can arrange each risk layer, including the equity layer, in the financing of transportation projects.

Deucalion Aviation Fund

Deucalion is structured as an investment company based in the Cayman Islands. Our senior investment managers, based in London, analyse investment opportunities in the aviation business and monitor the investments on behalf of Deucalion following approval by the Deucalion Board. In 2002, the Deucalion Aviation Fund's senior investment managers advised to invest largely in EETC paper (Enhanced Equipment Trust Certificates) purchased in the US capital markets. The pricing of EETC paper issued by reputable airlines is highly attractive, reflecting sentiment in the aviation market. It should also be noted that the Fund's EETC's are secured by a fleet of modern aircraft. In 2002 we sold one investment with an annualised return of 70%.

NFC Shipping Funds

NFC is a joint venture between DVB and Northern Navigation Inc., a holding company representing a group of private investors who specialise in the shipping markets. The senior investment managers of the NFC Shipping Funds are based in Greenwich CT, Oslo, Singapore and Rotterdam. In 2002, NFC Shipping Funds invested in eight projects that spanned various segments of the shipping industry including Panamax dry bulkers, container vessels, Panamax crude oil carriers and ultra Handymax vessels. In 2002 we sold one investment with an annualised return of 50%.

The preferred tenor for both aviation and shipping projects is three to seven years. Typically, a project should generate a 15% to 20% return on an equity participation, 10% to 15% in respect of a mezzanine loan and 400 bps above libor for relatively high yielding loans/bonds.

D-Marketing

In 2002 our strategy of reducing commitments that are no longer part of our core Transport Finance business (“D-Marketing”) gathered rapid momentum. At the same time, we restructured this segment and extended the range of responsibilities vested in our team of experts. Overall, the lending volume managed by D-Marketing was scaled back by 6.6% from €484 million to €452 million.

Since 2000, successful wind-down of non-transport business

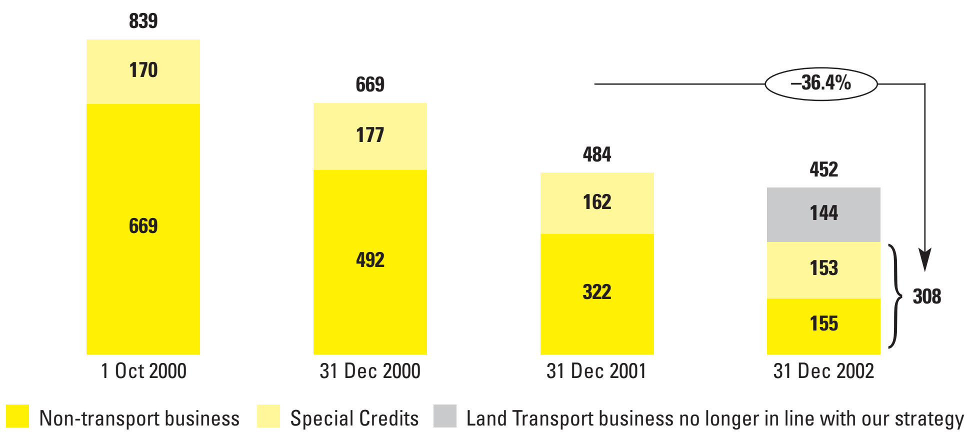
Since the end of 2000 the non-transport business in our credit portfolio has been managed by D-Marketing. Despite difficult market conditions, the banks’ restricted credit award policy and the decreasing liquidity of many companies, we continued to successfully wind down this business during 2002. Our experienced credit experts in the D-Marketing units, North and South, succeeded in reducing the lending volume, originally €669 million, by 76.8% to €155 million within 27 months (October 2000 to December 2002). This has considerably reduced our portfolio risk. With effect from the end of 2002, the D-Marketing units, North and South, were merged as planned; they will continue to reduce the portfolio from their central Frankfurt office.

Extended competences in 2002

In the Land Transport division we identified, in mid-2002, a portfolio that contained €170 million in commitments with transport clients that no longer met our volume and profitability requirements in the long-term; these were subsequently transferred to D-Marketing. By the end of 2002 our D-Marketing team succeeded in cutting back the lending volume by €26 million, or 15.3%, to €144 million.

In addition, we also integrated our credit business to be settled (Special Credits) into D-Marketing. This was reduced by 5.6% from €162 million to €153 million.

Development D-Marketing from 1 October 2000 (€ mn)



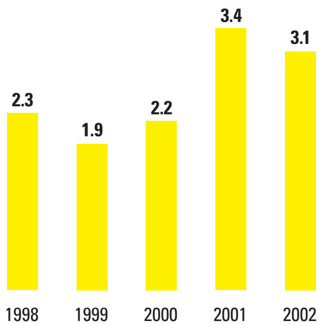
Outlook for 2003

Our experienced D-Marketing team is responsible for the rapid scale-back of the non-core credit business while, at the same time, competently managing restructuring processes and insolvency cases.

Central Bank/Trading

Our co-operation with the "Sparda" banks changed significantly during 2002. A new central bank agreement, signed by DVB and its partner banks on 11 April 2002, regulates the new form of co-operation between the signatories. DVB will continue to provide and balance liquidity for the "Sparda" banks, while settlement of the client securities business and payment transactions together with own-account investment management were transferred to new providers for the "Sparda" banks.

Deposits business with "Sparda" banks 1998-2002 (€ bn)



Central Bank/Trading in the business year 2002

We migrated the functions detailed above but maintained our comprehensive central bank function. The volatile market and our migration projects were the features of our co-operation in the "Sparda" banks' securities business with customers (depot B business).

In terms of the management of own-account investments (depot A business) we took advantage of the opportunities presented by the market and, together with the "Sparda" banks, generated revenues of €2.96 billion; albeit 22.1% lower than that of the previous year (€3.8 billion). Despite a significant reduction in the cash balances held by the "Sparda" banks we registered a deposits volume of €3.1 billion at year-end 2002 (2001: €3.4 billion).

Net profit on financial operations – lower in line with strategy

Our trading activities continued to complement and support the core Transport Finance business in 2002. In the securities business we traded our own positions to a limited extent until mid-2002, focusing mainly on business with fund companies. Due to the continued weakness of stock markets, revenues from this segment fell again, impacting negatively on the contribution to earnings. Overall, net profit on financial operations generated by money, foreign exchange, derivatives and securities trading fell from €5.5 million to €4.0 million. As part of the CHANGE sub-project WANDEL, we terminated our securities trading activities according to schedule at the end of 2002.

In 2002 the "Sparda" banks gained 119,000 new members while increasing their total assets by €2.2 billion to around €42.2 billion (unaudited).

Trading in foreign notes and coins/precious metals

Our consistent focus on long-term financing in respect of major international transport finance projects led us to restructure our trade in foreign notes and coins/precious metals in 2002. This business was no longer in line with our core activities and was terminated with effect from 31 May 2002, despite the fact that the bank had maintained domestic market leadership in this sector for a number of years. The initial consideration, involving the integration of the activities into another bank, was not realised. To finance the required personnel measures we topped up the existing social compensation plan by €1.1 million.

Treasury

The year 2002 was marked by a widening of credit spreads which also affected an unusually large number of German banks.

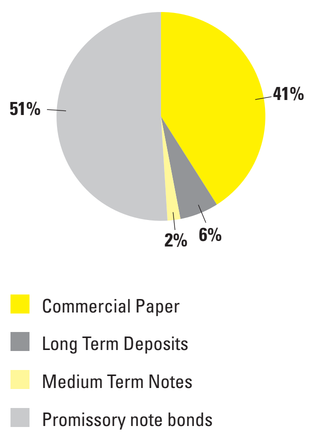
Own funds – supplementary capital

In 2002 DVB refrained from raising supplementary capital due to unfavourable credit spreads. Supplementary capital (computed) declined, due to currency translation (euro/US dollar) and regulatory cuts, by 3.6% to €347.3 million (2001: €360.3 million). This figure includes €164.5 million in profit-participation certificates, corresponding to the previous year's level, together with subordinated liabilities which decreased slightly to €199.0 million (2001: €207.0 million).

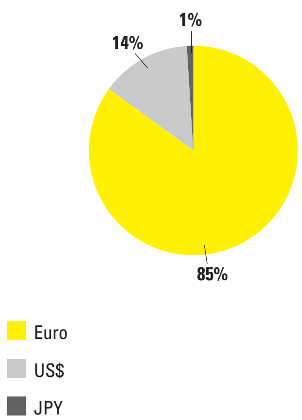
Funding base strengthened further

The funding volume over the medium and long-term ranges amounted to approximately €526.0 million in 2002. The higher cost of funding in 2002 was reflected both in the transacted medium and long-term funding volume and in the adjusted weighting of the funding instruments employed. Newly issued certificated liabilities, such as commercial paper and medium term notes under the existing debt issuance programme, contributed €125.3 million and US$105.0 million respectively to funding in 2002. Traditional funding instruments such as promissory loan notes and longer term deposits amounting to €295.7 million ensured a balanced overall funding ratio. By leveraging internal funding reserves (reduction of securities and interbank deposits) we gained further scope for action in our core Transport Finance business. In the course of 2002, a worldwide cut in interest rates in the money markets resulted in an encouraging increase in our interest income and interest margins.

Issues in 2002 by product group (%)



Issues by currency (%)



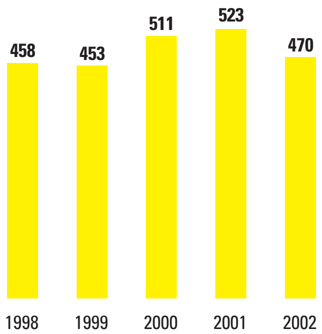
Outlook – stronger funding activities through issues

Assuming that the credit spreads for bank titles will narrow again in 2003, we expect an increase in funding activity based on our securities programmes. We anticipate several issuance opportunities to emerge, particularly in the area of commercial paper and the medium-term segment of the debt issuance programme. Due to DVB's international approach and the fact that assets are primarily denominated in US dollars, the euro/US dollar exchange rate will continue to impact heavily on the issue volume in 2003.
A sideways movement at the significantly lower interest rate level anticipated for the Eurozone in 2003 is expected to have a positive influence on interest income.

Employees

DVB's focus on international Transport Finance and, as a consequence, the implementation of the restructuring concept agreed in 2001, proved the principal features of the 2002 business year. Having developed an appropriate concept, necessary headcount adjustments took place during the second half of the year. At the same time we consolidated the required expertise in the Transport Finance division and strengthened staff numbers in our international locations.

Development of staff level
DVB Group 1998-2002
(excl. ReiseBank/CashExpress)



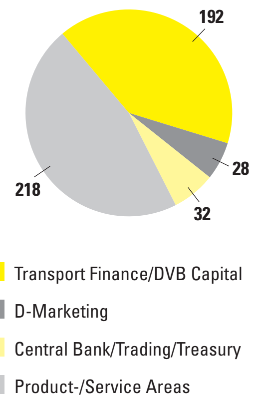
from 2000 incl. Nedship Bank N.V.

Specialists recruited for our core business

The year 2002 saw a strong focus brought to bear on our specialisation in Transport Finance. The number of employees within DVB Group (excluding DVB Holding, DVB Processing and DVB LogPay) fell by 53 to 470. The principal reasons for the reductions included headcount adjustments reflecting the CHANGE project, the accompanying change in the central bank function for the "Sparda" banks (e.g. discontinuation of securities trading, securities settlement and mass payment services in the Frankfurt/Main office) and the termination of foreign notes and coins/precious metals trading in Frankfurt/Main and Munich. The merger between the D-Marketing units, North and South, in Frankfurt/Main was effected on schedule. In the context of downsizing, our main concern was to implement measures in a socially responsible manner, for instance by arranging part-time work for older workers or early retirement for employees where applicable. Thanks to our good relationships with certain other companies we also succeeded in arranging the transfer of a number of redundant employees.

At the same time we pressed ahead with the expansion of the Transport Finance division, recruiting highly qualified staff for our international offices. The qualities we insisted upon included not only familiarity with the modern financing instruments required for our area of speciality but also practical experience in shipping, aviation, land transport and transport infrastructure. Other priorities included strong customer focus together with consulting know-how. At the end of 2002, 192 employees worked in Transport Finance and DVB Capital worldwide, of which just 29% held German citizenship.

Employees of DVB Group by division

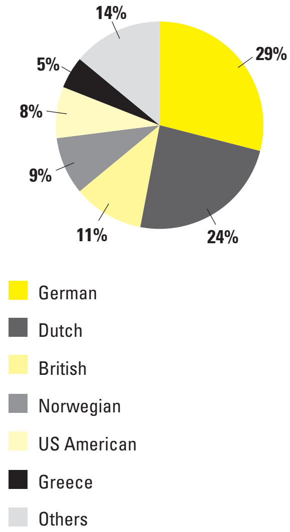


Personnel development and training

Another important event in 2002 was the internal training of our staff at seminars which were customised to meet the specific requirements of our specialist teams. Typical seminar subjects included "Legal aspects of syndicated loans in selected countries" and "Critical aspects of syndication". As a result of considerable demand and favourable feedback, the training programme will continue into 2003. The fact that members of our Shipping division lecture at a professional seminar which is part of the Master of Science in Maritime Economics and Logistics (MEL) degree course at Erasmus University in Rotterdam, serves to underline the professional standing of our employees.

Once again our trainee intake in 2002 included graduates of renowned international universities that offer degree courses focusing on transport and finance. The complexity of our business necessitates that trainees undergo an 18-month training programme in various locations, involving four or five different disciplines.

Transport Finance – employee nationalities (%)



Training expenditure in 2002 amounted to €973,000, including €173,000 for in-house and external English language instruction. Due to the fact that the development of foreign language skills has been given high priority in recent years, all relevant employees are now able to communicate in-house and externally in English, our corporate language. In 2003 the in-house language courses will be discontinued, with external instruction provided only on a case-by-case basis.

"DVB shares 2002"

In order to involve our employees in the bank's success, 2002 saw a relaunch of "DVB shares", the stock option programme that was introduced in 2000. In addition to the facility to purchase DVB shares at a discount, the programme also involves the granting of free options. All employees are eligible to subscribe to "DVB shares", the average participation rate in 2002 being 8.6%; executives' participation rate was well above average at around 35.7%.

Pensions

In addition to supplementing national pensions, Deutsche VerkehrsBank pension fund (Pensionskasse der Deutschen VerkehrsBank V.V.a.G.) provides cover against occupational disability. Within the framework of compulsory membership set out in the employment contract, members and the bank are responsible for one-third and two-thirds of contributions respectively. At the end of 2002, 515 former employees received benefits in the form of old-age, disability and surviving dependants' pensions.

We ensure that our employees working abroad, irrespective of location, are adequately provided for in terms of pension and disability benefits in line with relevant local practice.

Corporate Communications

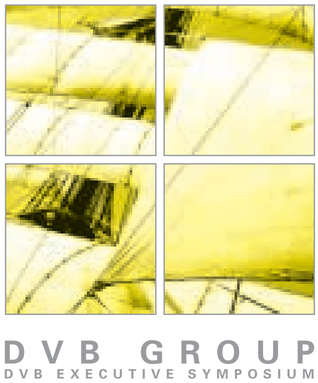
Since June 2002, our name has become one of the features that projects our distinctive profile as an international Transport Finance partner.

The DVB brand – an internationally recognised symbol for expertise and reliability

To support the internationalisation of the bank in recent years we began using the acronym "DVB" as our brand name. This rapidly gained widespread acceptance in the international transport finance industry and, in response to the brand's success, we adapted the legal name of the bank. The new company name, DVB Bank AG, was approved by our shareholders at the bank's ordinary Annual General Meeting on 13 June 2002. "Setting the Pace in Transport Finance" remains our motto. Through our specialist expertise we aim to set the pace in the transport finance industry while furthering our reputation as a reliable partner for our clients. Several complex financial transactions, many of which received special commendation, served to illustrate our particular expertise. Our clients enjoyed first hand experience of our reliability through our ongoing presence and the placement of long-term securitised new commitments in a difficult global economic environment encompassing certain recessionary characteristics.

Customer and press relations – in dialogue with our markets

Customer Relations maintains a constant dialogue between our market sectors and our clients. Our Breakfast Meeting in Hamburg, where our Research and Strategic Planning (RASP) team presented current trends in the tanker shipping market to several clients, was again well attended. At several events we introduced clients to our comprehensive "M&A Trends in Global Transportation" study. Thanks to the topical nature of the study it received extensive coverage in the domestic and international press. In the autumn of 2002 we invited selected business partners of the Transport Finance division to an international event with high calibre guest speakers. Again, our staff were in considerable demand as contributors of articles on Transport Finance to the trade press. DVB's increased presence at significant international specialist conferences, often in the role of speakers, served to enhance public awareness of the bank.



Investor Relations – communicating with international financial markets

The compilation of the Annual and Interim Reports were major priorities within Investor Relations, the team responsible for managing the bank's international financial communications. We were particularly pleased that our 2001 Annual Report gained third place in a competition by "bankmagazin", an industry publication, for the best Annual Report of the year. Some 126 banks and savings banks submitted their annual reports as entries to the competition. The organisation and management of the Annual General Meeting, the annual rating conferences and a follow-up event for analysts represented further highlights.
A series of mailshots supplied major shareholders, dormant partners, rating agencies and other interested members of the financial community with information concerning DVB and its markets. Our homepage at www.dvbbank.com was expanded through comprehensive information on corporate governance and other items.

Information Technology

The requirements of Basel II and the introduction of IAS/IFRMS, planned for 2005, requires us to continue to evolve and expand our IT systems. We built the necessary foundation in 2002 by synchronising our IT strategy with our business requirements and processes.

IBM – our new service provider

In 2002, the outsourcing trend was particularly noticeable in the information technology industry. The takeover of operations by IBM, which began in December 2001, stabilised and a number of facilities were installed including a centralised user helpdesk which is available 24 hours a day on working days. In the second quarter of 2002 we began harmonising our infrastructure by transferring all staff workstations to a standardised platform and interface in order to improve processing quality and optimise the quality of service. Since then all employees worldwide have been using the same e-mail system and compatible programmes and programme versions.

These significant changes required a number of follow-up projects. For instance, we consolidated our servers, developed a new Wide Area Network design and removed performance bottlenecks in order to enable users to benefit from the full range of opportunities and advantages of the new IT infrastructure.

Thanks to the measures taken in 2002, the bank's IT infrastructure is fully prepared to meet future requirements in terms of flexibility, modernity and security.

Development of IT strategy for future functions

Following the successful introduction and stabilisation of our core system SAP R/3, in 2002 we pursued two key objectives:

- Targeted removal of applications and functionalities that are no longer in line with our focus on international transport finance.
- Expansion of core applications and functions in order to strengthen the foundation for our specialist activities. For instance, we independently developed a system for managing the financing of objects and associated collateral under SAP R/3.

The year 2003 will present us with considerable project challenges: we will be introducing IAS/IFRMS (International Accounting Standards/Issuances, Forms and Reports Management Section) while continuing to set up the technical framework required by Basel II. At the same time we wish to use these measures to enhance systems integration within DVB Group and increase systems flexibility. This is a challenge we plan to meet by optimising our IT strategy, which involves an enhancement of SAP R/3 and the creation of a flexible IT environment.

Participating Interests

During recent years, in line with our focus on international transport markets, we founded independent companies for three transaction-oriented divisions:

- **1996 – Cash payments: ReiseBank (foreign notes and coins business, ATMs, worldwide money transfers with Western Union)**
- **2000 – Card payments: DVB Processing (Central Credit Committee-licensed network operations, transaction management, payment transaction clearing)**
- **2003 – Payment upon invoice: DVB LogPay (credit checks, claims settlement, accounts receivable management)**

The following section provides an overview of the development of these companies.

DVB Holding GmbH

DVB Holding encompasses ReiseBank AG and CashExpress GmbH. Both are specialist companies that offer a complete range of travel-related financial services which have led the German market for many years.

Strategy

Located in the heart of Europe, ReiseBank and CashExpress are becoming the leading providers of products for customers on the move (private and business travellers, commuters, citizens of foreign origin etc.). The range of products covers customised banking, financial and tourism services.

Implementation

Expansion drive using successful products and sales units as stepping stones:
- The MailOrder business in Germany is being expanded.
- The branch office network is being strengthened in neighbouring European countries, particularly in Switzerland and the Netherlands.
- France and Benelux are to be integrated into the sales office network, commencing with the Netherlands.
- Western Union branches in Austria are to be promoted, involving an expansion of selected locations that are highly frequented.

ReiseBank and CashExpress continue to focus on easy-to-use, customer friendly and target group-oriented self-service locations:
- ReiseBank's network of machines is to be developed into a self-service, kiosk-based system offering ATMs, charging terminals and phone card dispensers.
- In future these complete service units will be available to customers on the move both at home and abroad.
- ReiseBank and CashExpress anticipate a sustainable increase in income as a result of this expansion and the new automated services.

In 2003 ReiseBank and CashExpress will step up their customer retention and acquisition activities including, for example, the introduction of a ReiseBank customer card.

ReiseBank and CashExpress maintain 97 branch offices in precisely those locations where customers need their services: 36 train stations, six border crossings, seven trade fair grounds, 12 airports, four city-centre locations and four CashMobiles/CashCars in Germany. In Switzerland, six agencies and five branch offices are maintained; 13 branch offices are located in Austria and four in the Netherlands.

Developments in 2002

The 2002 business year proved a particularly difficult one for ReiseBank and CashExpress. On the one hand, the introduction of the euro on 1 January 2002 caused an anticipated fall in income up to 14.8%. On the other hand, the tragic events of 11 September 2001 served to significantly dampen domestic and international travel. The global economic downturn combined with cut backs on the part of the consumer aggravated these negative impacts.

Our plan to expand our international branch office network to more than 100 was successfully implemented. We maintain a presence wherever our customers require our services.

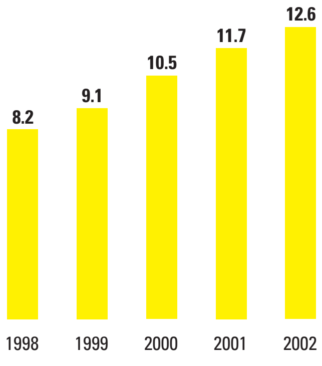
ReiseBank AG

ReiseBank's commission income fell by 12.2% to €53.2 million. Total assets rose 50.4% from €63.5 million to €95.5 million. In line with the existing profit transfer agreement, annual profits of €5.9 million were transferred to DVB Bank AG.

Foreign notes and coins business – downward trend caused by euro introduction

Income from exchange rate margins and commissions decreased by 26.6% to €23.4 million. The number of transactions fell by 35.1%, primarily due to the introduction of euro notes and coins.

Development of commission income generated through ATMs 1998-2002 (€ mn)



Automated teller machines – income from commissions up again

As at year-end 2002, ReiseBank operated 165 **ATMs** (2001: 143) generating income from commissions amounting to €12.6 million (2001: €11.7 million) during the course of the year. Transactions handled totalled 5.5 million. Revenues generated in this segment amounted to €673 million (2001: €712 million). Despite the difficult economic situation, income from commissions generated by ATMs rose by 7.7%, thanks to targeted product and pricing policy measures as well as the successful acquisition of new locations.

As expected, the introduction of the euro led to improved acceptance of the **charging terminals for** the so-called **GeldKarte**, a smart card. At the time of the introduction of the new currency many dispensing machines, including Deutsche Post's postage stamp machines and Deutsche Bahn AG's ticket sale machines, were equipped with a GeldKarte function, a development which we also benefited from. Income from commissions generated by GeldKarte charge transactions increased by 55.4%, compared with 2001, from €8,300 to €12,900.

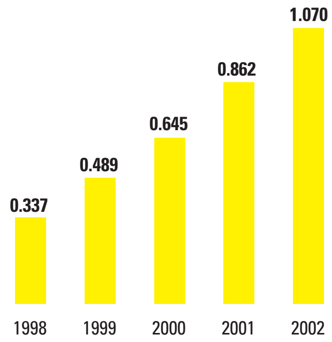
By year-end 2002, a total of 13 **telephone card dispensers** had been placed in the busiest train stations and shopping centres. Income from commissions generated by the sale of telephone cards from dispensers increased from €5,600 in 2001 to €25,100 in 2002.

Western Union – more than 1 million transactions

In co-operation with Western Union we successfully expanded our global cash service even further. Special marketing campaigns and the rising recognition rate once again helped to expand the business considerably. At year-end 2002 we registered a 24.1% increase in the number of transactions from 862,000 to 1.070 million, crossing the one million threshold for the first time. This corresponds to a 12.8% increase in revenue to €458 million (2001: €406 million).

In 2002 the average amount drawn via each transaction was €425, representing a slight downward trend. Income generated by ReiseBank's own German Money Transfer service fell by 17.6% to €0.4 million.

Transactions with Western Union (mn)



Expansion of product range

- The **MailOrder service for foreign notes and coins and traveller's cheques** developed by ReiseBank is targeted towards other banks. At year-end 2002, 210 partner banks (2001: 70) in Germany were supplying their customers with foreign currencies and traveller's cheques via ReiseBank. This figure equates to 10% of all banks in Germany. Just one day after order placement the form of payment is delivered to the end-consumer by courier at any address within Germany. As the accelerating demand in 2002 highlighted, the partner banks are even more willing to use this optimised service offer post the introduction of the euro because many of them are no longer able to continue running a profitable foreign notes and coins service. Thanks to this sales channel, ReiseBank has succeeded in enhancing its market leadership in the foreign notes and coins business.
- The 16 **ReiseShops** specialise in last-minute travel and cut-rate airfares. Contrary to the overall trend, they developed positively in 2002. Our customers can book the full range of flights and holidays via the online travel portal at www.reisebank.de or via our call centre.
- The range of own **co-branded prepaid calling cards**, which are targeted specifically at ReiseBank's customers, generated significant increases in revenue and income.
- In December we opened the first **PhoneShop** within our Kassel branch office. Further PhoneShops opened in the first quarter of 2003. They offer telephone services, particularly to foreign countries.
- Our customers can order the **full range of telephone cards** online at www.reisebank.de and have them delivered by e-mail for immediate use.

Rising costs due to expansion of activities in Europe

Administrative expenses (including depreciation/write-offs of intangible and fixed assets) totalled €24.1 million in 2002. Staff costs amounted to €20.6 million. Other operating expenses amounted to €3.1 million. Rising costs reflected the expansion of activities, in particular the business launch in Austria and expansion in the Netherlands and Germany. In 2002 ReiseBank and CashExpress ended their arrangements with DVB Bank AG with regard to foreign notes and coins business, payment transactions, HR management, IT and services, henceforth managing these operations independently. At year-end 2002, ReiseBank employed 483 staff (2001: 393). The bank resisted the general industry trend and once again increased its headcount.

Successful expansion for CashExpress GmbH in the Netherlands

In 2002, the year of the euro introduction, CashExpress GmbH accellerated its expansion in the Netherlands and, to date, has opened four branch offices in Rotterdam, Amsterdam and The Hague. The services on offer in the Netherlands largely consist of worldwide cash transfer in co-operation with Western Union. Income from commissions fell 33.3% to €1.4 million. In 2002 CashExpress employed 29 staff (2001: 18) in its seven branch offices and at head office, which also manages ReiseBank's marketing and acquisition operations. The planned expansion of CashExpress CZ s.r.o., its Czech subsidiary, into petrol stations close to the border was not implemented due to the fact that the intended mineral oil partner company withdrew from the commitment in late 2002. With fierce competition strongly limiting business opportunities in the Czech Republic, CashExpress GmbH decided to close its branch office in Prague's Wenceslas Square with effect from 31 December 2002.

DVB Processing GmbH

DVB Processing GmbH was founded in October 2000 following DVB's hive-off of its ec-cash (debit card) network and commenced operations on 1 January 2001. The company is jointly owned by Deutsche Postbank AG (51%) and DVB (49%).

DVB Processing, a Central Credit Committee-licensed network operator, handles cashless payment transactions generated by ec (debit) or credit card through the retail sector's modern till systems. The network operator charges the amount to the card holder's bank and credits the amount to the retailer. At the end of 2002 the number of terminals had risen by 19,000 to 91,000. The number of processed transactions rose by 61% from 23 million in 2001 to around 37 million in 2002, placing DVB Processing among Germany's three largest network operators. Profit generation from operational activities confirmed our positive expectations. However, the precarious situation of two major service providers caused DVB Processing to set aside provisions for impending losses which accounted for the positive annual performance. For this reason no profits were distributed to the shareholders in 2002. For 2003, DVB Processing once again expects positive annual results and a continued strengthening of its market position.

DVB LogPay GmbH

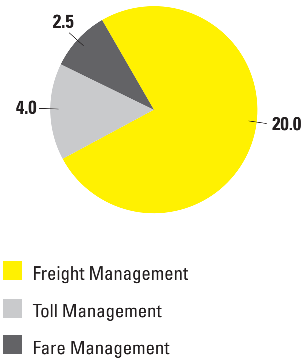
The Frankfurt-based subsidiary DVB-LogPay GmbH was founded on 31 December 2001 as a transaction-based business. While ReiseBank and DVB Processing specialise in cash and card-based payments respectively, DVB LogPay focuses on payments against invoices within a certain payment period.

In 2002 we developed DVB LogPay's core business concept further and, with effect from 1 January 2003, hived the company off from DVB, complete with a separate organisational structure and systems. DVB LogPay uses its own IT-based systems to process the transactions. In co-operation with DVB it provides a genuine factoring service, offering all financial and other services that are typical of this activity.

DVB LogPay is active in the following fields:

- **Freight Management:** On behalf of DVB it manages freight equalisation with DB Cargo AG and other companies in the rail transport and commercial long-haul road transport segments.
- **Fare Management:** It provides season ticket management and collection services for major local public transport companies.
- **Toll Management:** On behalf of toll system operators it settles the tolls collected during a specific time frame.

DVB LogPay – Market potential by business sectors (€ bn)



With a factoring volume of approximately €3.5 billion, DVB LogPay currently commands a leading position among the factoring companies active in Germany. In 2002 a market potential of €26.5 billion was identified in respect of the three business sectors above, out of which DVB LogPay has achieved a market share of more than 10%.

Trends such as outsourcing and toll collection for public infrastructures (roads, tunnels, bridges etc.) together with increasing traffic promise further structural growth in these markets. Thanks to DVB LogPay's cost leadership in these sectors we expect that the company will benefit to an above average extent from the anticipated growth while gaining further market shares.

Management Report (DVB Group and DVB Bank AG)

The key contributors to the consolidated financial statements are the lending and commission-based businesses of DVB Bank AG, Nedship Bank N.V. and ReiseBank AG/CashExpress GmbH. The following section illustrates the progress of DVB Group ("DVB") during 2002, with specific references to DVB Bank AG only made where required.

The success of DVB's decision to focus on the global Transport Finance industry was clearly evident in 2002. Once again, we demonstrated our expertise in devising new financial structures.

In a difficult global economic environment, characterised by recession throughout much of the world, we chose to adopt an anti-cyclical approach. The bank committed €1.64 billion in long-term collateralised finance to Shipping and €0.86 billion to Aviation, thus generating qualitative growth in the Transport Finance portfolio in line with our strategy. Interest margin in our core business increased by 0.2%, while commission income from advisory services (syndication and DVB Capital) rose 34.5%. Lending exposure that no longer meets DVB's requirements (so-called "D-Marketing") was reduced by 6.3%, from €0.48 billion to €0.45 billion. The qualitative growth in our core business and the reduction of our non-core business augurs well for the future.

The 1.9% decline in **operating profit (excluding loan loss provisions)** from €36.5 million to €35.8 million was attributable to factors outside our core business. These included the cessation of our securities commission business with "Sparda" banks, the suspension of bulk payment services and a euro-driven decline in commission income from ReiseBank's traditional foreign notes and coins business.

Profits from ordinary activities rose 30.2% from €36.1 million to €47.0 million, taking into account a non-recurring income item and risk provisioning.

We realised €39.4 million from the disposal of a participating interest in Union Asset Management Holding AG that was no longer in line with our strategic priorities. Some €8.4 million of the proceeds was used to strengthen the fund for general banking risks at Group level, thus enhancing our liable capital in accordance with the German Banking Act (KWG). The remaining €31.1 million was recognised under other net income and expenses in the profit and loss account. After setting off further expenditure of €3.0 million (particularly in respect of the amortisation of goodwill with regard to the acquisition of Nedship Bank N.V. in 2000) we were able to strengthen our capital base by attributing €28.1 million to retained earnings.

Profits from ordinary activities were influenced by net loan loss provisions of €19.9 million, of which €19.7 million related to "D-Marketing" exposures and €0.2 million to the financing of a helicopter.

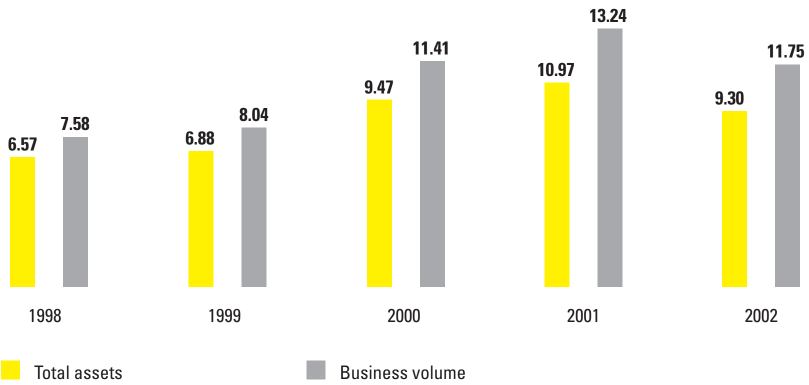
DVB generated total **net income** of €32.6 million (2001: €4.5 million).

Business development

Assets

Business volume (i.e. total assets, guarantees, indemnities, irrevocable loan commitments and derivatives) of €11.75 billion in 2002 was 11.3% lower than the €13.24 billion achieved the previous year. The 15.2% decline in DVB's **total assets** from €10.97 billion to €9.30 billion largely reflected the 55.9% fall, compared with 2001, in placements with, and loans and advances to, other banks and the 28.3% reduction in the fixed-income securities portfolio.

Total assets and business volume (€ bn)



The following table displays total **lending volume** over a **five-year period**:

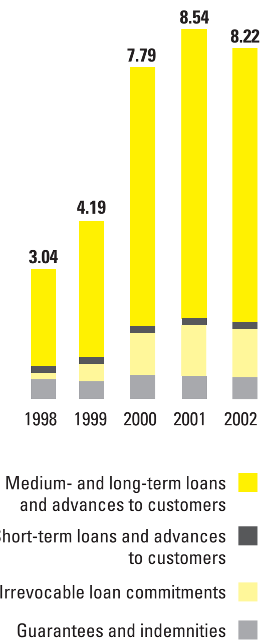
€ bn	2002	2001	2000	1999	1998
Placements with, and loans and advances to, other banks	1.13	2.56	1.84	1.23	3.06
Loans and advances to customers	6.68	6.86	6.24	3.37	2.43
Securities (including participating interests)	0.81	1.13	0.90	1.19	0.88
Guarantees and indemnities	0.55	0.54	0.56	0.41	0.43
Irrevocable loan commitments	0.98	1.14	0.99	0.42	0.16
Derivatives	0.92	0.59	0.39	0.26	0.57
Lending volume	**11.07**	**12.82**	**10.92**	**6.88**	**7.53**

The 47.0% rise in DVB's lending volume from €7.53 billion to €11.07 billion during the period 1998-2002 largely reflected the purchase of the aviation portfolio from LTCB in 1998 and the acquisition of Nedship Bank in 2002. As a result of our market position in international Transport Finance, the volume of loans and advances to customers almost tripled during this five-year period.

Total **lending volume** fell by 13.7% to €11.07 billion compared with €12.82 billion in 2001. This breaks down into the following categories:

	2002 € bn	2001 € bn	% change
Placements with, and loans and advances to, other banks	1.13	2.56	–55.9
Loans and advances to customers	6.68	6.86	–2.6
Securities (including participating interests)	0.81	1.13	–28.3
Guarantees and indemnities	0.55	0.54	1.9
Irrevocable loan commitments	0.98	1.14	–14.0
Derivatives	0.92	0.59	55.9
Lending volume	**11.07**	**12.82**	**–13.7**

Analysis of lending volume (€ bn)



Placements with, and loans and advances to, other banks showed a considerable 55.9% fall from €2.56 billion to €1.13 billion. This was due to a decrease in our interbank trading activities and the fall in short-term deposits by "Sparda" banks as at the financial year-end.

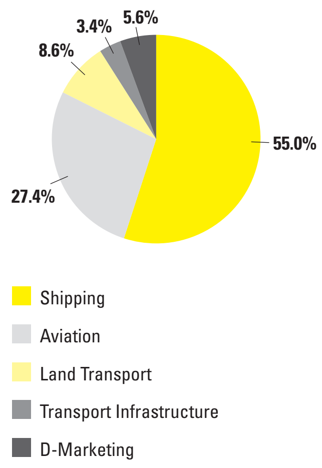
Loans and advances to customers posted a marginal 2.6% decline from €6.86 billion in 2001 to €6.68 billion due to fluctuations in the €/US$ exchange rate. We deliberately scaled back the investment of excess liquidity in **securities** during the reporting period, the result being that the **securities** position (including participating interests) contracted by 28.3%, from €1.13 billion to €0.81 billion. While **guarantees and indemnities** were virtually unchanged at €0.55 billion (2001: €0.54 billion), **irrevocable loan commitments** fell by 14.0% to €0.98 billion (2001: €1.14 billion).

The adjacent chart shows aspects of the lending volume: the development of short-term and medium-/long-term loans and advances to customers, guarantees and indemnities, and irrevocable loan commitments, which on aggregate showed a marginal 3.8% decline from €8.54 billion to €8.22 billion. **Short-term loans and advances to customers**, which also include receivables arising from freight netting procedures, rose 17.6% from €0.17 billion to €0.20 billion at the year-end. **Medium- and long-term loans and advances to customers** in international Transport Finance showed a marginal decline of 3.1% from €6.69 billion to €6.48 billion, a reflection of the €/US$ exchange rate.

As in previous years, DVB employed **derivative instruments** for hedging purposes, a facility also offered to clients, albeit to a lesser extent. At €13.89 billion, the nominal volume of outstanding derivative transactions at the year-end was 11.3% below last year's level of €15.65 billion. This reduction was largely attributable to the decline in interest rate swaps, principally due to the cessation of derivative trading with "Sparda" banks. The **risk-weighted credit equivalent value** of derivatives as at 31 December 2002 amounted to €0.92 billion (2001: €0.59 billion). This 55.9% increase is attributable to fluctuations in the €/US$ exchange rate and interest rates.

Customer lending (the aggregate of loans and advances to customers, guarantees and indemnities, irrevocable loan commitments and securities held as a result of customer business) to DVB's corporate Transport Finance and non-transport clients fell 6.9% from €8.61 billion in 2001 to €8.02 billion. The volume of customer lending is divided into the following portfolios:
Shipping accounted for 55.0% – the largest share – of the overall portfolio with a €4.41 billion contribution which was 7.4% below the €4.76 billion recorded in 2001. The average lending volume per client amounted to €21.3 million, while the average loan-to-value-ratio (relation between loans granted and the current market value of the financed asset) was approximately 65%. Despite adverse economic conditions and the impact of the events of 11th September 2001, **Aviation** lending increased from €2.08 billion in 2001 to €2.20 billion which equates to a portfolio share of 27.4%. The average lending volume per client amounted to €24.2 million, while the average loan-to-value-ratio was around 82%. The former **Land Transport** division underwent a restructuring process during 2002. This involved the hiving off of all infrastructure projects (€0.19 billion) into an independent Transport Infrastructure division and the transfer of lending exposures (€0.17 billion) that were no longer in line with our long-term profitability standards to the "D-Marketing" unit. The lending volume in Land Transport consequently decreased by 37.3% from €1.10 billion to €0.69 billion, representing 8.6% of the overall portfolio. In contrast, the **Transport Infrastructure** portfolio expanded 42.1% from €0.19 billion to €0.27 billion. At 3.4%, this represents the smallest aspect of the portfolio. In line with our strategy, **D-Marketing** operations, which are divided into three areas of responsibility in 2002, were reduced by 6.3% (from €0.48 billion to €0.45 billion) during the same period and now account for only 5.6% of customer lending. Non-transport business has been processed in this unit since October 2000 and, from an initial position of €669 million, lending volume has been reduced by 76.8% to €155 million as at the end of 2002. In mid-2002, we identified exposure of €170 million to transport customers in our Land Transport portfolio that no longer complements our long-term requirements in terms of volume and profitability and has therefore been transferred to D-Marketing. We were able to reduce this sum by a further €26 million to €144 million by the end of 2002. Furthermore, D-Marketing is now also responsible for the settlement of lending exposures, the volume of which fell by 5.6% from €162 million to €153 million.

Customer lending portfolio by division (%)



Our **loan loss allowance** totalled €118 million (2001: €117.9 million) at the end of 2002. This is divided among D-Marketing (€103.4 million), Shipping (€14.4 million) and Aviation (€0.2 million). There is no loan loss provisioning in place for Land Transport and Transport Infrastructure.

Liabilities

DVB's liabilities fell 16.2% to €8.45 billion (2001: €10.08 billion). Reduced lending volume resulted in a decline in our borrowings from banks, while lower customer deposits reflected the suspension of bulk payment services. **Liabilities to banks** thus fell 10.3% throughout the Group, from €5.42 billion to €4.86 billion, while **liabilities to customers** declined 22.5%, from €2.71 billion to €2.10 billion. **Certificated liabilities** fell 23.6% to €1.49 billion (2001: €1.95 billion). This figure comprises issues within the scope of the €3 billion Debt Issuance and Commercial Paper Programmes which declined on the back of market and price factors.

The **volume of** medium- and long-term **refinancing activities** amounted to some €526.0 million in 2002. This volume development reflected increased refinancing costs in 2002, as did the change in the weighting of the refinancing instruments employed. Newly-issued certificated liabilities such as commercial paper and medium-term notes within the scope of the existing Debt Issuance Programme contributed €125.3 million and US$105.0 million to our refinancing activities during 2002. At €295.7 million, traditional refinancing instruments such as promissory loan notes and longer-term deposits ensured a balanced overall ratio of refinancing operations. Exploitation of internal refinancing reserves (reducing securities and interbank deposits) provided further leeway for our core Transport Finance business. A constant capital base is integral to the successful long-term development of our lending business.

DVB's own funds, as defined by the German Banking Act (Kreditwesengesetz – "KWG") rose 2.0% to €786.5 million (2001: €771.4 million).

At €76.8 million, **issued share capital** showed little change from the previous year. The modest increase of €0.07 million relates to the purchase of employee shares within the framework of our "DVB shares" employee share participation scheme. **Reserves** registered a 16.0% increase to €203.4 million (2001: €175.3 million) reflecting the €28.1 million attributed from net income. **Reserves eligible for inclusion** and adjustments in accordance with the German Banking Act rose to €81.5 million (2001: €78.4 million); one of the contributing factors being the €8.4 million transfer to the fund for general banking risks. DVB Bank AG allocated this and other funds (€42.1 million) to the reserves entirely in accordance with section 340g of the German Commercial Code (Handelsgesetzbuch – "HGB"). These factors have strengthened our **Tier I core capital** by 7.6% to €439.2 million. Current redemption payments reduced **subordinated liabilities** by 3.9% to €199 million (2001: €207 million). **Profit-participation certificates**, a long-term component of our funding structure, were unchanged from last year at €164.5 million. **Tier II supplementary capital** fell 3.6% from €360.3 million to €347.3 million due to fluctuations in the €/US$ exchange rate and regulatory restrictions of eligibility.

The following table illustrates the development of DVB's **own funds**, based on the audited Financial Statements of DVB Bank AG:

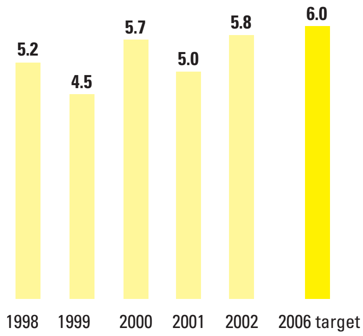
€ mn	2002	2001	2000	1999	1998
Issued share capital	76.8	76.8	76.7	57.4	51.0
Reserves	203.4	175.3	175.1	119.7	100.2
Silent partnership certificates	77.5	77.5	77.5	–	–
Reserves eligible for inclusion and adjustments in accordance with the German Banking Act	81.5	78.4	99.9	–	–
Core capital (Tier I)	**439.2**	**408.0**	**429.2**	**177.1**	**151.2**
Subordinated liabilities	199.0	207.0	139.4	62.1	43.5
Profit-participation certificates	164.5	164.5	164.5	89.5	89.5
Reserves eligible for inclusion and adjustments in accordance with the German Banking Act	–16.2	–11.2	16.2	13.1	18.7
Supplementary capital (Tier II)	**347.3**	**360.3**	**320.1**	**164.7**	**151.7**
Tier III funds	–	3.1	–	–	–
Own funds in accordance with the German Banking Act (KWG)[1)]	**786.5**	**771.4**	**749.3**	**341.8**	**302.9**

1) Taking into consideration reserves and transfer to reserves from net income.

We consistently complied with Liquidity Principle 1 in accordance with sections 10 and 10a of the German Banking Act. Due to the increase in own funds, the **total capital ratio** rose from 9.5% to 10.4%. The **core capital ratio** improved from 5.0% to 5.8%. We aim to increase this ratio to a minimum of 6.0% in the medium-term.

We have published our core capital ratio according to the German Banking Act (the ratio of Tier I core capital to risk-weighted assets) since 2000.

Core capital ratio (%)

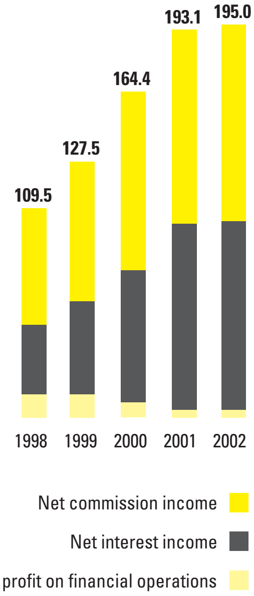


The capital ratios were influenced by the performance of the US dollar against the euro, the majority of international Transport Finance loans being US$-denominated. We are aiming for a sustained improvement in the core capital ratio and in our return on equity for 2003 and have planned the following measures to achieve these objectives:

- limitation of risk-weighted assets;
- expansion of DVB Capital's advisory business which yields significant commission income but does not tie up equity capital;
- further profit retention; and
- securitisation of risk-weighted assets.

Earnings development

Development of ordinary income
(€ mn)



Development of operating profit excluding loan loss provisions

Operating profit excluding loan loss provisions declined 1.9% from €36.5 million to €35.8 million.

Ordinary income, comprising net interest and commission income and net profit on financial operations, posted a modest 1.0% increase to €195.0 million (2001: €193.1 million). The growth trend in **net interest income** over the past five years was confirmed by the 9.1% increase from €89.2 million to €97.3 million. The 17.6% fall in interest income from the lending business and money market transactions to €401 million (2001: €486.5 million) was offset by a 21.7% reduction in interest expenses to €353.6 million (2001: €451.7 million) which resulted in a higher interest margin. The 5.5% decline in **net commission income** to €93.0 million (2001: €98.4 million) largely reflected lower income from ReiseBank's post-euro foreign notes and coins business (–27.9%), the phasing out of domestic payment services for "Sparda" banks and corporate clients (–38.7%) and the sharp fall in the securities commission business with "Sparda" banks (–59.9%). A rise in commission generated by Transport Finance and DVB Capital (+34.5%) proved insufficient to fully offset these factors. Nonetheless, over a five-year time horizon net commission income has risen 63.5%. As in previous years, **net profit on financial operations** was reduced further, in line with our strategy, to €4.7 million (–14.5%). Securities trading was unable to match the previous year's level, largely due to the cessation of operations with "Sparda" banks. The impact of abandoning trading in foreign notes and coins as from 31 May 2002 also made itself felt.

At €162.5 million, **administrative expenses** (including amortisation and depreciation) across the Group in 2002 exceeded the previous year (€157.6 million) by 3.1%. The renewed **increase in staff expenses** from €65.8 million to €72.7 million (+10.5%) was attributable to additional investment in qualified staff in international Transport Finance, DVB Capital and ReiseBank AG due to the expansion of the latter's European network. In view of the fact that the effect of staff reductions related to the CHANGE project will not materialise until 2003/2004, the impact on cost reductions was only minimal. **Other administrative expenses** (including amortisation and depreciation) showed a modest fall of 2.2%, from €91.8 million to €89.8 million. Costs in relation to legal advice from international law firms for our Transport Finance business rose again. These factors are essential to ensure continued enhancement of quality in our advisory and financing businesses, thus safeguarding our competitive edge in an international market place. This was offset by substantial cost savings made in the support provided by external data processing providers and the cessation of settlement of foreign notes and coins for DZ Bank.

Net other operating income/expenses rose to €3.3 million (2001: €1.0 million), the majority of which was accounted for by proceeds from the Aviation Finance leasing business (€2.0 million). The release of provisions no longer required was also included in this figure.

	2002	2001	Change	
	€ mn	€ mn	€ mn	in %
Ordinary income	195.0	193.1	1.9	1.0
Net interest income	97.3	89.2	8.1	9.1
Net commission income	93.0	98.4	–5.4	–5.5
Net profit on financial operations	4.7	5.5	–0.8	–14.5
Group administrative expenses	162.5	157.6	4.9	3.1
Staff expenses	72.7	65.8	6.9	10.5
Other administrative expenses	74.7	75.0	–0.3	–0.4
Amortisation and depreciation	15.1	16.8	–1.7	–10.1
Net other operating income/expenses	3.3	1.0	2.3	230.0
Operating profit excluding loan loss provisions	**35.8**	**36.5**	**–0.7**	**–1.9**
Net loan loss provisions	–19.9	–17.2	–2.7	15.7
Net other income/expenses	31.1	16.8	14.3	85.1
Profits from ordinary activities	**47.0**	**36.1**	**10.9**	**30.2**
Extraordinary expenses	–5.8	–19.0	13.2	–69.5
Taxes	–1.8	–5.8	4.0	–69.0
Return on capital contributions from silent partners	–6.8	–6.8	0.0	0.0
Net income	**32.6**	**4.5**	**28.1**	**624.4**

Development of profits from ordinary activities

We increased **profits from ordinary activities** by 30.2%, from €36.1 million to €47.0 million, taking into account loan loss provisions and non-recurring special factors. Results were influenced by increased net loan loss provisions.

Risk provisioning	2002 € mn	2001 € mn
Additions to loan loss provisions	23.0	34.3
Amounts released	–3.1	–6.9
Net new loan loss provisions	19.9	27.4
Amounts released for general loan loss provisions	–	–10.2
Net loan loss provisions	19.9	17.2
Revaluation results of securities held in the liquidity portfolio	–	–1.0
Risk provisions reported in the profit and loss account	19.9	16.2

Compared with €34.3 million the previous year, additions in respect of 2002 amounted to €23.0 million gross. A total of €3.1 million was released, resulting in **net new loan loss provisions** of €19.9 million (2001: €17.2 million), with D-Marketing alone accounting for €19.7 million. In contrast, minimal loan loss provisions of just €0.2 million were required for our Transport Finance portfolio, relating to an atypical helicopter financing facility provided to a German operator. No loan loss provisions were necessary for Shipping, Land Transport and Transport Infrastructure in 2002. The loan loss provisions in 2002 also reflect the correctness of the bank's strategy of focusing on Transport Finance while, at the same time, reducing exposure to non-transport business.

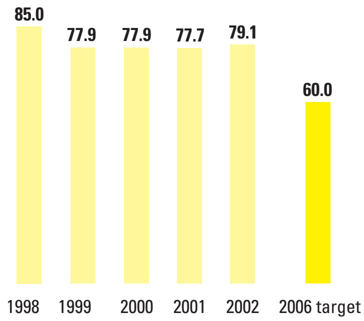
Net other income and expenses rose 85.1% from €16.8 million to €31.1 million. This increase is due to the sale of our shareholding in Union Asset Management Holding AG to DZ BANK AG (€39.4 million) in September 2002, of which we appropriated €8.4 million to the fund for general banking risks, in accordance with section 340g of the German Commercial Code. DVB Bank AG, on the other hand, allocated €42.1 million to the fund, resulting in a reduction in net other income and expenses to €-2.8 million and a corresponding reduction in DVB Bank AG's profits from ordinary activities to €17.5 million.

Development of cost/income ratio (CIR)

The cost/income ratio is a measure of the expenditure required to generate income, thus reflecting DVB's cost efficiency. Excluding amortisation of goodwill, the CIR of 79.1% was marginally higher than the previous year's figure of 77.7% and was largely influenced by staff expenses. The CHANGE project is expected to generate costs savings in subsequent years. Our aim is to reduce the CIR – excluding amortisation of goodwill – to 60% in the medium-term.

The CIR is calculated as the ratio of administrative expenses (including depreciation of fixed assets) to operating income (sum of ordinary income and net other income and expenses).

Cost/income ratio (%)



Development of net income and appropriation of profits

DVB generated total **net income** of €32.6 million (2001: €4.5 million).

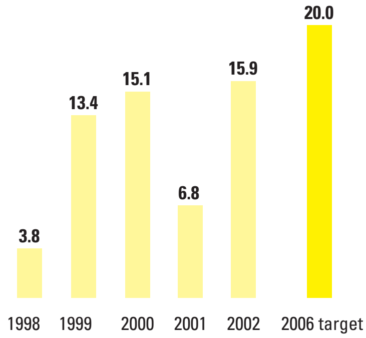
In addition to taxes of €1.8 million (2001: €5.8 million) and an unchanged return on capital contributions from silent partnership certificates of €6.8 million, profits from ordinary activities were also burdened by extraordinary expenses of €5.8 million (2001: €19.0 million). These were accounted for by additional provisions created for the social compensation plan which the bank has operated since 2001 (€1.2 million), contributions transferred to the pension fund's cover assets pool (€3.0 million) and special charges in respect of current restructuring projects (€1.6 million). DVB retained profits of €28.1 million from net income.

Due to the transfer of €42.1 million to the fund for general banking risks, the net income of DVB Bank AG amounted to €4.5 million, from which it will propose, at the Annual General Meeting, to distribute an unchanged **dividend** of €1.50 per share to shareholders. This represents a dividend yield of 1.9% based on the year-end share price of €80.

The **return on equity (RoE)** reflects the return on the capital invested in DVB. RoE before taxes and excluding amortisation of goodwill rose from 6.8% to 15.9% as a result of the developments referred to above. Our medium-term objective is to stabilise the RoE at 15% and, depending on interest rate levels, achieve a figure of 20% before taxes and amortisation of goodwill in the long-term.

The RoE is calculated from the ratio of net income before taxes to average equity capital as shown on the balance sheet (issued share capital, capital reserves and retained earnings).

Return on equity (%)



Development of DVB's ratings

DVB's assessment by rating agencies Standard & Poor's (S&P) and Moody's was unchanged. **S&P**'s long-term BBB+ rating (with negative outlook) remains unchanged while maintaining the A-2 assessment for the short-term. **Moody's** long- and short-term ratings were unchanged at A3/P-2, with a stable outlook. The "financial strength" indicator remained at C-, with a negative outlook.

Risk Report

A firmly established organisational structure, with clear responsibilities, procedures and specific systems in respect of risk measurement, represent the fundamental requirements for the permanent monitoring and management of risks within the DVB Group. DVB is protected from unexpected losses by way of a framework of risk guidelines, organisational structures and risk measurement and monitoring processes that serve to limit and manage the risks the bank undertakes in order to generate income. The primary objective of our risk strategy is to identify, quantify and aggregate the risks the DVB Group is exposed to, and incorporate them in the overall management of the bank which is focused on risk and income.

We consistently continued to pursue the direction chosen in 2001 – permanently developing and improving the systems for recording, measuring, managing and monitoring the risks within the Group. The main results are outlined as follows:

Organisation of the risk management process

We base our risk management strategy on the decentralised organisation of the risk management process, whereby counterparty, market, liquidity and operational risks are co-ordinated across all levels within the bank, in accordance with the risk policy guidelines set out by the Board of Managing Directors.

Management and control of the different risk categories is supported and co-ordinated by cross-divisional committees.

The **Risk Committee**, which comprises the responsible member of the Board of Managing Directors and the heads of Group Risk Management, Group Financial Controlling and Group Treasury, was established in 2002 and acts as a forum for discussing the key strategic and organisational issues in relation to the bank's entire risk exposure. This also includes the derivation of the economic capital within the scope of the bank's capacity to carry and sustain risks, the allocation of risk capital to the business units, and uniform identification, measurement, aggregation, monitoring, reporting and management of risk within the framework of a risk controlling process.

The **Credit Committee**, comprising the entire Board of Managing Directors and the respective heads of the business and credit units, makes decisions on DVB's individual loan commitments not exceeding 12.5% of the bank's liable capital, above which level the additional approval of the Supervisory Board's Credit Committee is required. Approvals regarding amounts below this threshold are made jointly by heads of credit and industry groups within the Transport Finance divisions, according to the bank's lending policies.

The **Asset Liability Committee**, comprising the member of the Board of Managing Directors responsible for Treasury, the heads of Group Treasury, Financial Institutions, Group Risk Management, Group Accounting and Taxes and Group Financial Controlling decide on the key elements of interest rate strategies, on asset/liability positions and on the bank's liquidity management.

The **Audit Committee**, which is managed by the member of the Board of Managing Directors responsible for internal audit, co-ordinates the internal auditing operation, approves short- and medium-term audit planning and decides on the type and extent of special audits.

Types of risk

The DVB Group differentiates risk according to the following categories:

- Counterparty risk
- Market risk
- Liquidity risk
- Operational risk
- Strategic risk

Given the focus and structure of our business, counterparty risk represents the largest individual risk category. According to the Basel II Accord, changes will be made to capital adequacy requirements, with effect from 1 January 2007, when capital backing required for regulatory purposes will become more closely aligned to the coverage required from an economic perspective.

Counterparty risk

We define counterparty risk, which comprises credit, issuer, counterparty and country risks, as potential losses arising from the unexpected default or deterioration in our counterparties' credit quality.

In respect of individual transactions, counterparty risk is managed and limited by setting a corresponding limit on the basis of conservative lending principles and sector-specific lending policies. At portfolio level, we allocate the volume of risk-weighted assets approved by the Board of Managing Directors. Given the increasing importance of determining and managing country risks appropriately, in the light of the international emphasis of our lending business, we plan and limit country risk within the parameters of the overall management of the bank and in accordance with DZ BANK Group's country limit planning.

The Basel II Accord

Essentially, the measures comprised by the Basel II Accord to further promote security and solidity of the banking system are as follows: new capital adequacy requirements, greater emphasis by the Banking Supervisory Committee on qualitative aspects and more precise and extensive disclosure requirements by the banks. The new capital adequacy regulations are designed to align the capital backing requirements for counterparty and operational risks more closely with the actual economic risk; moreover, the supervisors will introduce explicit capital backing requirements for operational risks.

In order to give the banks incentives to improve their risk measurement and management methods, the capital backing for counterparty risks can be determined by means of three different procedures which vary according to the complexity of the requirements.

While the **standardised approach**, which varies only marginally from the method of calculation used today, is based on the assessment of external agencies, the other methods (internal rating based – foundation approach and internal rating based – advanced approach) use the banks' internal ratings.

The **foundation approach** merely allows the bank to estimate the probability of customer default. The **advanced approach** also determines the expected loss given default ("LGD") for the unsecured aspect 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, whereby the bank can prove the anticipated realisation proceeds through its own data. The foundation approach, on the other hand, only accepts specific collateral; as at the current stage of discussions, this does not yet include the assets traditionally accepted by DVB as collateral.

Given the over-riding importance of counterparty risk to DVB, we started to develop an internal statistical and mathematical rating model for our global Transport Finance operations as early as 2001. This allows for the assessment of all risk parameters required for the advanced approach, thus ensuring that DVB is prepared for the use of both internal rating approaches. Furthermore, the modular approach allows individual consideration of the special features applicable to our different business divisions.

The Internal Rating Model

The rating model is based on a multi-level expert system that was developed on a statistical basis of externally rated companies for which all relevant balance sheet data is available. Reproducing the external rating correctly represented the first successful test for our model. Assigning the internal to external rating classes enables us to use external default probabilities which, like many other banks, we are unable to determine ourselves due to a lack of historical data. The rating determined through the analysis of balance sheet data ("hard" facts) can be modified by qualitative aspects ("soft" facts). Our rating model is based on the requirements set out in the Basel II Accord.

The individual assessment of the future collateral value of financed properties is fundamental to determining the unsecured (and thus potentially impaired) proportion of the individual lending exposures (LGD) in our project-collateralised Transport Finance business. The method used for this purpose determines the future collateral value of an asset based on simulation calculations. The decrease in value associated with the default risk of the entity deriving commercial benefits from such assets is taken into consideration. In addition to external valuations (expert opinions) and market data, we also utilise our market specialists' expertise in assessing specific collateral.

In 2002, we continued to develop the prototype internal rating model, focusing on the analysis of specific transactions. The analyses of transactions conducted by certain international units through on-site workshops proved extremely helpful and appropriate for our Shipping finance business. This allowed the expert knowledge and special local characteristics of Shipping finance to be incorporated in the development and validation of the model. Additional workshops in respect of DVB's other business divisions were also conducted in 2002.

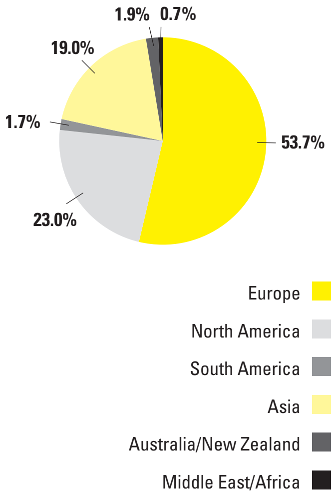
In comparison with the foundation approach, the advanced approach is clearly more beneficial with regard to the capital adequacy requirements in respect of our project-collateralised lending business. Using the advanced approach will, for example, result in a reduction of the capital backing requirements for the majority of our Aviation contracts, compared to the current level of 8%. Initial analyses and assessments of component portfolios in Shipping delivered comparable results.

Within the scope of determining the necessary capital backing requirements according to the Basel II Accord, the internal rating model also allows more precise calculation of the standard risk costs that are included as a risk premium when calculating the minimum margin.

As from May 2003, we will also use the internal rating model for loan approval in Aviation Finance. Further workshops will be conducted in respect of the other component portfolios during the first half of the year and the ensuing results will be included in the model by the end of 2003. This will enable us to use the internal rating model for all Transport Finance approvals from the beginning of 2004.

By converting the rating model to a portfolio-based concept in 2004, we intend to manage counterparty risks at portfolio level within the framework of a value-at-risk approach.

Overall Transport Finance portfolio by country (€8.02 bn)



Portfolio management and control

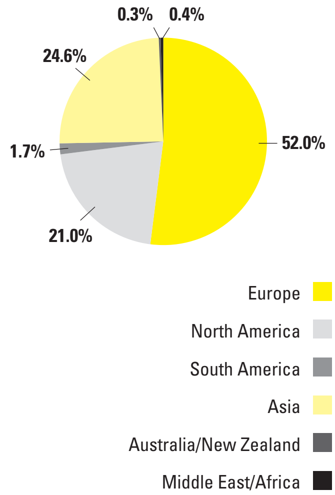
DVB's customised, proprietary database application OASIS (**O**bject Finance **A**dministration and **S**ecurity **I**nformation **S**ystem) provides DVB with a modern tool for analysing and managing its loan portfolio, allowing us to compile all quantitative and qualitative data for all financing transactions required to manage the portfolio. We began integrating the Shipping portfolio into OASIS on schedule in 2002, while the Land Transport portfolio will also be fully incorporated during the first half of 2003. At this point, our entire loan portfolio – Shipping, Aviation, Land Transport and Transport Infrastructure – will be reflected in OASIS for the benefit of analyses.

OASIS permits detailed analyses of the diversified loan portfolio according to various criteria. For instance, comprehensive information relevant to the portfolio can be provided to structure risk-reducing measures such as asset-backed securitisation transactions. The portfolio reports required by the Minimum Requirements for the Conduct of Lending Activities (Mindestanforderungen an das Kreditgeschäft – "MaK") introduced by German regulators can be easily generated through OASIS. Furthermore, the database is the key source of information for the internal rating model. By integrating the systems technology in the lending and management process, OASIS also contributes considerably to minimising operational risks.

Together with the internal rating model, OASIS represents the fundamental basis for developing a portfolio model and for implementing a RAROC approach (**R**isk **A**djusted **R**eturn **O**n **C**apital).

The following section deals with the risk exposure of our component portfolios:

Shipping portfolio by country (€4.41 bn)



Shipping portfolio

In 2002, shipping markets were affected by the weakening global economy and political uncertainties. Economic growth rates were damaged by the war on international terrorism, the prospect of a US invasion of Iraq, global stock market volatility and the fear of economic recession. In general terms, weakening economic growth rates translate into less demand for shipping services, although this was not the case in all sectors in 2002. The dry bulk market showed signs of improvement, driven in the main by continued growth in Chinese industrial production. Tanker markets also improved towards the end of 2002, having hit low levels during the summer, and indications are that both the dry bulk and tanker markets will show modest improvements in 2003. In the meantime, the recovery in growth rates in the container carrier market has exceeded last year's projections. Container line operators can thus look forward to higher freight rates in 2003.

In addition to the fact that our portfolios are broadly diversified across more than 20 segments of the shipping market, we employ an extensive early-warning system in order to monitor risks. In addition to regular valuations of the financed ships by external appraisers, the majority of our loan agreements require constant monitoring in relation to the risks incurred. Despite the challenges faced in 2002, the share of high risk exposure relative to our total Shipping portfolio is a low 5.7%. Furthermore, despite the aforementioned challenges, there was no need for additional provisions for loan losses. We attribute this to the high quality of our clientele together with pro-active risk control, including strict monitoring of the Value Maintenance Clause (VMC) as part of our overall risk management strategy.

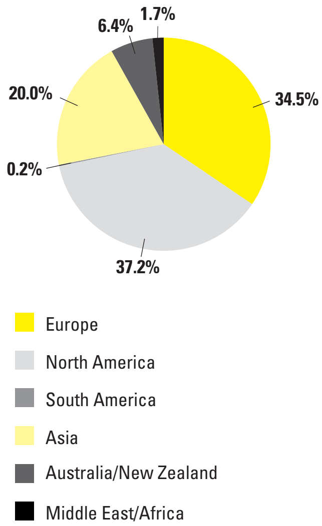
Aviation portfolio

The stagnating global economy stalled the turnaround in the aviation sector that was anticipated by individual market participants for 2002. The effects on the sector of the events of 11th September 2001, proved greater than originally assumed, although airlines were able to absorb falling passenger numbers by closing down excess capacity that was generally unencumbered by loans. Many airlines also availed themselves of the opportunity to implement cost-cutting measures to structures that were, in part, over-inflated. Despite the fact that such restructuring projects are cost-intensive initially and represent an additional burden to the financial statements, they will bring about the desired and necessary savings in the medium- to long-term.

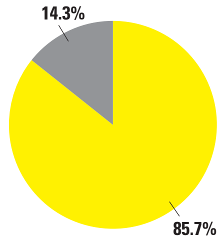
Given the impending Iraq crisis at the year-end, it was difficult to assess when the sector should return to normal: overall, we do not anticipate a recovery before 2004/2005. Aircraft values remained under pressure on the back of market developments, with further declines of between 8% and more than 40% compared with the previous year. It should be noted that given the lack of buying interest during an economic slowdown, the market has become practically illiquid. Price levels are, for the most part, determined on estimates and are oriented around the few transactions that have actually taken place. The second-hand market was further burdened by the substantial price concessions granted on the sale of new aircraft.

Against this background, the bank extended its Aviation team. The Aviation Restructuring Unit, created in the aftermath of the events of 11th September 2001, became a permanent fixture of Asset Management in 2002 and a research team (Aviation Industry Research – AIR) was established to conduct an up-to-date evaluation of market information and provide the bank and its clients with market assessments and forecasts. We succeeded in restructuring our exposure affected by current insolvency proceedings almost fully during the previous year and continued to intensify our risk monitoring activities. Despite immense market pressure, we again managed to avoid anticipated losses in the Aviation financing portfolio. Our philosophy is to prioritise restructuring measures over a loss-making disposal wherever possible. With the exception of a minimal loan loss provision of €0.2 million for a unique transaction with a German helicopter operator (a small market segment which we do not intend to pursue), there was no need for provisions for specific loan losses in international Aviation Finance in 2002.

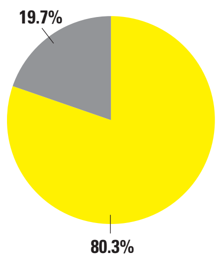
Aviation portfolio by country
(€2.20 bn)



Land Transport portfolio by country (€0.69 bn)



Transport Infrastructure portfolio by country (€0.27 bn)



Land Transport portfolio

Rail transport in Europe experienced stable demand for regional passenger transport and moderate investments in train engines, trams and freight cars. The continued dominance of state-owned railway companies had a smoothing effect on both supply and demand. The low of the economic cycle for carriage orders was weathered on the North-American market. We reacted to this trend by selecting competent partners. Class-1 companies were able to increase efficiency levels during the financial year, largely fulfilling expectations. In anticipation of consistent growth during a period of gradual consolidation, which represents a sign of recovery in the logistics segment, we focused on core clients and do not foresee any uncontrollable risks for our business in the railway and logistics sectors.

Transport Infrastructure portfolio

Our infrastructure financing projects are subject to risk assessment taking into account their complexity and are adequately structured to ensure the success of the project and debt servicing capability. The infrastructure projects (airports, sea ports, toll roads and railways) financed by DVB represent extremely important ventures for the respective economies. The correlation between commercial success and politico-economic stability requires constant analysis of the macro-economic and commercial aspects of the project while also assessing the political framework. The feasibility of a project is largely based on two fundamental factors: project participants (sponsors) on the one hand and commercial viability on the other. Financing structures within our portfolio have been developed with experienced sponsors, taking into account various economic scenarios. In the event, interest and principal payments were made in full despite the adverse economic environment of 2002. Just under 20% of our Infrastructure portfolio comprises participating interests in IFC ‘B‘ loans in Latin America, of which the financing of two airport projects accounts for 70% of the lending volume.

Discontinuation of loan exposure that is no longer in line with our strategy

Loan exposures amounting to €452 million that are no longer in line with our strategy are managed by the "D-Marketing" unit. These include:

- non-transport business (€155 million);
- commitments to Land Transport clients, where the transactions no longer match our long-term target corridor in terms of volume and profitability (€144 million); and
- loan commitments requiring settlement (€153 million).

Our experienced D-Marketing specialists ensure swift discontinuation of the non-core lending business on the one hand and competent support in the restructuring and settlement of insolvencies on the other. A net €19.7 million was written off in respect of this component of the portfolio in 2002 and we have assumed that €103.4 million in provisions for loan losses should provide adequate risk protection.

Market risk
We define market risk as the potential loss incurred through price fluctuations in the equities, foreign exchange and interest rate markets (including associated derivatives).

Group Treasury is responsible for managing market risks in both the banking and trading books. The Asset Liability Committee meets fortnightly to review the market risk exposure for the entire bank and to reach fundamental agreements on risk orientation. We use the same method for calculating the market risk in our banking and trading books. In 2002, risks were determined according to the risk-point method, a statistical approach based on various conservative assumptions (worst-case interest rate scenarios for our key currencies while disregarding risk-reducing correlation effects).

A new method for measuring market risk on the basis of historical simulation, which we successfully tested in the fourth quarter of 2002, was implemented on 1 January 2003. This value-at-risk approach quantifies the maximum loss that can be incurred through market price fluctuations over a one-day holding period, with a confidence level of 99%. DVB thus utilises a state-of-the art method to monitor and manage its market risks.

Trading Control, which is responsible for monitoring market risks, has direct access to the trading and settlement systems, allowing it to observe whether limits are maintained. Any excessive utilisation or infringements of limits in the portfolios are immediately analysed and the return to compliance with these limits monitored in real-time. The market 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 risk positions are managed on the basis of limits approved by the Board of Managing Directors, which must not be exceeded. Furthermore, since February 2003, we have been determining the stress risks of our positions monthly, on the basis of a complete interest rate cycle. The calculations for extreme situations are discussed regularly in the Asset Liability Committee (ALCO), to ensure the bank can react in good time.

Liquidity risk
This risk comprises 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. Our liquidity risks are analysed and managed centrally, on the basis of 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 refinancing projects are met by the ALCO.

Anticipated cash flows are calculated, aggregated and offset by transactions on the money and capital markets, on the basis of permanently updated plans for liquidity flows and cash flow forecasts. 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. Ample access to short-term money market liquidity and extensive liquidity provisions and stand-by limits with other banks ensure the bank has access to adequate liquidity reserves. Various medium- and long-term refinancing measures were used to further strengthen the bank's structural liquidity position. The Liquidity Principle according to the German Banking Act was consistently adhered to during 2002.

Operational risk

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

Monitoring and managing operational risks comprises, in the main, the development of a methodology for identifying, quantifying and managing risk, and the introduction of an adequate risk reporting system. In view of the degree of complexity of the processes and the clear structures of our bank, we consider the so-called basis indicator approach – one of three alternatives set out within the framework of the Basel II Accord – as adequate. Initial calculations showed that from a current perspective, there is no difference between the basis indicator and standard approach with regard to expected capital backing requirements.

In early 2003 we set up a project across the entire Group whereby the requirements of the basis indicator approach (implementing the organisational infrastructure and framework to measure and manage operational risk) are developed, implemented and integrated in order to gradually become a permanent process. We also specifically observe legal risks and their potential effects on DVB within the scope of this project. Given that we lack, as with many other banks, the historical volume of data required for a well-founded statistical observation, we will not implement the advanced approach.

It must be emphasised that we have already reduced operational risks substantially. In line with our focus on Transport Finance, we terminated non-strategic business activities and related downstream business processes (such as securities settlement and trading, domestic and international payment services). We also outsourced systems administration duties to external providers.

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, etc. DVB's business policy is managed by way of strategic decisions taken within the scope of closed-door strategy meetings by the Board of Managing Directors and by the Supervisory Board.

Strategic risk measurement is based on historical fluctuations of costs and income, taking current developments into consideration. The framework of the general profit and cost management forms the basis for the operative management process.

Conclusion
In our opinion, risk is consciously viewed as a central element of our professional business management and is therefore a prerequisite for a sustained increase in the enterprise value. The methods and measurement systems used within the scope of our risk management are suitable to adequately reflect the risks defined throughout the group.

Events after 31 December 2002
(as at 14 March 2003)

New member of the Supervisory Board
Supervisory Board member Heinz Hilgert (a member of the Board of Managing Directors of DZ BANK AG) announced his intention to resign from the Supervisory Board with effect from the end of the Annual General Meeting on 12 June 2003, in a letter dated 10 March 2003 to the Board of Managing Directors. The Annual General meeting of DVB Bank AG held on 12 June 2003 is expected to propose Dr Thomas Duhnkrack (a member of the Board of Managing Directors of DZ BANK AG) as a shareholders' representative.

Other events
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 2002 business year. The course of business in the first months of the 2003 business year confirms the statements made in the 'Outlook'.

Outlook

Prospects for international transport markets in 2003

In the first quarter of 2003, global economic developments were affected by the Iraq crisis that was coming to a head, with crude oil prices reaching new highs while equity markets plummeted. This found reflection in falling confidence levels on the part of both consumers and companies. At the time of writing this report, the German equity index (DAX) was trading at 1995 levels and the price of crude oil had reached the US$33.90 per barrel mark. The fact that the international community was unable to reach agreement over the Iraq crisis placed the **Shipping market** under renewed pressure for 2003. This is exacerbated by additional problems such as the container carrier market which will be further impaired by overcapacity in tonnage relative to growth forecasts. The **Aviation market** was the chief casualty of the on-going Iraq crisis during the first quarter, particularly as a result of the high crude oil price and the cautious stance on flight bookings adopted by consumers. In Europe, low-cost airlines, with a business model that appears eminently suitable to an economic downturn, continued to exercise pressure on other airlines. During 2003 the entire sector will continue to focus on cost control, increasing productivity and capacity utilisation. Developments in the **Land Transport** sector will be subject to the same fundamental considerations in 2003. The low-cost airlines will create greater competition, particularly in the European high-speed transport market. Higher unemployment and falling consumer confidence will also contribute to a decline in the demand for rail transport, while rising costs will pose problems for the heavy goods vehicles industry. In the light of this outlook, we expect fewer **Transport Infrastructure** projects for 2003; in other words, investors will closely monitor developments in transport markets before resuming their activities.

The outlook for DVB in 2003

- Our primary concern is to **stabilise and improve our rating** by Standard & Poor's and Moody's. For this purpose, we want to achieve a sustainable improvement in our liable capital and reserves, according to the German Banking Act (KWG), by limiting risk-weighted assets, expanding DVB Capital's high-commission advisory business, which does not tie up capital, further retention of profits and the securitisation of risk-weighted assets. These measures will stabilise and increase the capital ratios. We are working towards an overall minimum core capital ratio of 6.0% in the medium-term (by 2006).
- Despite the difficult political and economic climate described above, we expect positive **results from DVB** in 2003: our objective of further increasing **ordinary income** should be achieved by pursuing our anti-cyclical growth strategy in the Transport Finance portfolio. We aim to increase the interest margin through focusing on profit margins, thus achieving an improvement in **net interest income**. The positive influence of commission income generated by Transport Finance and DVB Capital on **net commission income** for 2003 will be two-pronged: we intend to expand our leading position in syndicated loans, while acquiring additional advisory mandates for DVB Capital. In our ReiseBank/CashExpress business, we plan to offset the decline in commission income

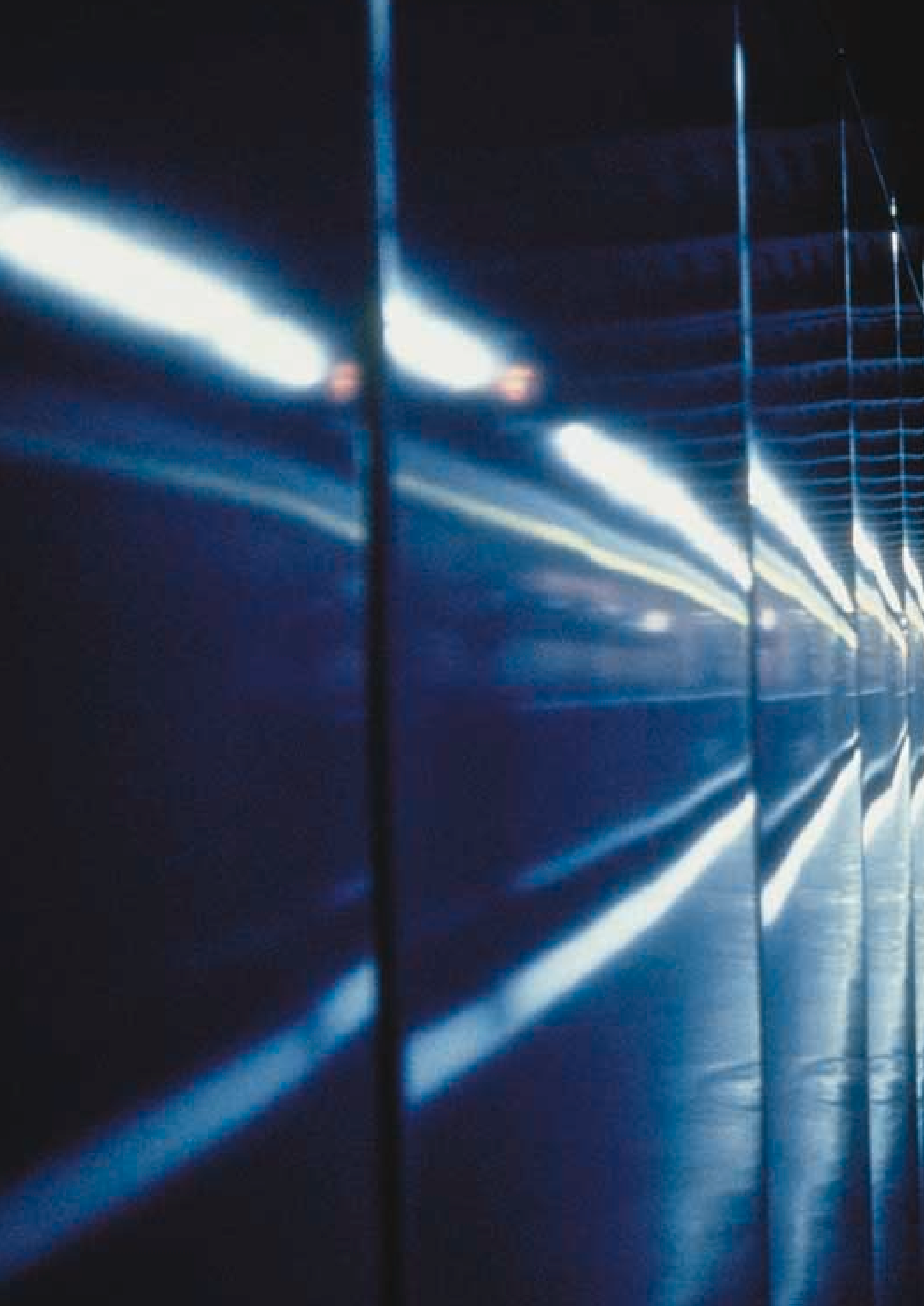
from the foreign notes and coins business following the introduction of the euro in 2002 with income from new products and through the expansion of the branch network throughout Europe. In line with our strategy following the change in the relationship with "Sparda" banks, commission income from domestic payment services and securities commission business will no longer apply. **Net profit on financial transactions** will fall to zero in 2003 as all DVB's trading activities cease. Meanwhile, the trend in **administrative expenses** should be positive. Given that a total of 163 Frankfurt-based staff were laid off through various measures, the effects of cost reductions through the CHANGE project should be felt in 2003/2004. We also intend to strengthen the integration of international activities and units throughout the DVB Group structure within the scope of the I-CHANGE project in 2003, and further optimise administrative units particularly in respect of structures, processes and costs. We expect **profits from ordinary activities**, adjusted for non-recurring special effects, to be higher than in the year 2002.

- Our medium-term objective is to reduce the **cost/income ratio** (excluding amortisation of goodwill) to 60% and stabilise the **return on equity** (before taxes and excluding amortisation of goodwill) at 15% in the medium-term, rising to 20% in the long-term, depending on interest rate trends.
- DVB will continue to focus on the **methodical development of our overall management of the bank with the emphasis on risk and income** in 2003. We will be able to reflect the bank's aggregate risk by using comparable methods to measure all types of risk, which we will regularly compare with our capacity to carry and sustain risks. We are undergoing intensive preparations for the introduction of the new capital adequacy requirements in accordance with the Basel II Accord and to ensure that the Minimum Requirements for the Conduct of Lending Activities will be implemented. We are confident that the methods developed for this purpose and the internal know-how that we have acquired will lead to financial benefit from the new guidelines.

Chairman's report on relations with affiliated companies in accordance with section 312 of the German Stock Corporation Act (AktG)

Pursuant to sections 15 and 18 of the AktG, DVB Bank AG is affiliated to DZ BANK Deutsche Zentral-Genossenschaftsbank and its Group companies. As at 31 December 2002, DVB Bank AG has been included in the consolidated financial statements of DZ BANK Deutsche Zentral-Genossenschaftsbank.

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: "Adequate consideration was received by our company, in line with circumstances in which reportable transactions were carried out, of which the Board of Managing Directors were aware of at the time. During the year under review, the Board of Managing Directors did not agree on or neglect any reportable measures."



Balance Sheet of DVB Group as at 31 December 2002

Assets (€ mn)				2002	2001
1. Cash reserve					
a) Cash on hand			62.215		69.394
b) Balances with central banks			246.544		132.864
Including: with Deutsche Bundesbank	246.544				131.842
c) Balances with Postal Giro Offices			0.880		0.024
				309.639	**202.282**
2. Debt instruments of public-sector entities and bills of exchange eligible for refinancing at central banks					
a) Treasury bills, non-interest-bearing treasury notes and similar sovereign debt				—	—
Including: eligible for refinancing with Deutsche Bundesbank					
b) Bills of exchange				—	—
Including: eligible for refinancing with Deutsche Bundesbank					
3. Placements with, and loans and advances to, other banks					
a) Payable on demand			213.592		521.519
b) Other placements, loans and advances			920.031		2,038.795
				1,133.623	**2,560.314**
4. Loans and advances to customers				**6,684.701**	**6,857.719**
Including: secured by mortgage charges					
Loans to local authorities	367.879				268.012
5. Bonds and other fixed-income securities					
a) Money market instruments					
aa) Public-sector issuers		—			—
ab) Other issuers		—	—		—
b) Bonds and notes					
ba) Public-sector issuers		18.119			20.664
Including: Securities eligible as collateral with Deutsche Bundesbank	7.784				
bb) Other issuers		723.759	741.878		850.512
Including: Securities eligible as collateral with Deutsche Bundesbank	229.199				
c) Own debentures			0.031		—
Nominal amount	0.030				
				741.909	**871.176**
6. Equities and other non-fixed income securities					**233.244**
7. Participating interests					
a) Participating interests			68.192		21.297
Including: Interests in banks	0.296				0.296
b) Members' capital contributions in co-operative societies			0.039	**68.231**	0.039
Including: Co-operative banks	0.039				0.036
					21.336
8. Interests in affiliated companies				**2.287**	**5.010**
Including: Interests in banks					
Including: Interests in financial services providers					
9. Intangible assets				**105.858**	**133.446**
10. Fixed assets				**60.332**	**49.240**
11. Treasury shares				**0.033**	**0.152**
Nominal amount	0.010				0.043
12. Other assets				**184.503**	**31.164**
13. Deferred items				**4.581**	**7.182**
Total assets				**9,295.697**	**10,972.265**

Balance Sheet of DVB Group as at 31 December 2002

Liabilities and capital (€ mn)			2002	2001
1. Liabilities to banks				
a) Payable on demand		2,442.131		2,430.365
b) With agreed term or period of notice		2,412.967		2,987.302
			4,855.098	**5,417.667**
2. Liabilities to customers				
a) Savings deposits				
aa) With agreed period of notice of three months	—			—
ab) With agreed period of notice of more than three months	—	—		—
b) Other liabilities				
ba) Payable on demand	366.735			1,033.496
bb) With agreed term or period of notice	1,728.878	2,095.613		1,676.717
			2,095.613	**2,710.213**
3. Certificated liabilities				
a) Bonds issued		1,488.962		1,924.947
b) Other certificated liabilities				28.367
			1,488.962	**1,953.314**
Including: Money market instruments				28.367
Own acceptances and promissory notes outstanding				
4. Other liabilities			**39.195**	**107.525**
5. Deferred items			**4.910**	**5.101**
6. Provisions				
a) Provisions for pensions and similar liabilities		8.221		8.567
b) Tax provisions		11.697		11.565
c) Other provisions		54.025		48.539
			73.943	**68.671**
7. Special item with partial reserve character			—	**0.524**
8. Subordinated liabilities			**202.510**	**210.523**
9. Profit-participation certificates			**164.476**	**164.476**
Including: maturing within two years				
10. Fund for general banking risks			**8.400**	—
11. Capital and reserves				
a) Subscribed capital				
aa) Issued share capital	76.842			76.776
ab) Silent partnership certificates	77.500			77.500
		154.342		154.276
b) Capital reserve		106.750		106.639
c) Retained earnings				
ca) Legal reserve	1.790			1.790
cb) Reserve for treasury shares	0.033			0.152
cc) Statutory reserves				
cd) Other retained earnings	94.853			66.670
		96.676		68.612
d) Distributable profit		4.822		4.724
			362.590	**334.251**
Total liabilities and capital			**9,295.697**	**10,972.265**
1. Contingent liabilities				
a) Liabilities from guarantees and indemnity agreements		548.667		534.932
			548.667	**534.932**
2. Other commitments				
a) Irrevocable loan commitments		983.882		1,143.893
			983.882	**1,143.893**

Profit and Loss Account of DVB Group
for the period from 1 January to 31 December 2002

€ mn			**2002**	**2001**
1. Interest income from				
a) Lending and money market transactions	401.104			486.534
b) Fixed-income securities and government debt	41.482	442.586		43.051
2. Interest expenses		353.608		451.666
			88.978	**77.919**
3. Current income from				
a) Equities and other non-fixed income securities		5.998		7.969
b) Participating interests and capital contributions in co-operative banks		0.030		1.238
c) Interests in affiliated companies		2.326		2.126
			8.354	**11.333**
4. Commission income		103.313		109.566
5. Commission expenses		10.336		11.188
			92.977	**98.378**
6. Net profit on financial operations			**4.689**	**5.557**
7. Other operating income			**6.989**	**3.743**
8. General administrative expenses				
a) Staff expenses				
aa) Wages and salaries	61.125			54.622
ab) Compulsory social security contributions and expenses for pensions and other employee benefits	11.565	72.690		11.219
Including: Retirement benefits 4.151				4.200
b) Other administrative expenses		74.696		75.018
			147.386	**140.859**
9. Depreciation/amortisation of, and write-downs on, intangible and fixed assets			**15.108**	**16.773**
10. Other operating expenses			**3.686**	**2.770**
11. Depreciation/amortisation of, and write-downs on, claims and certain securities, additions to loan loss provisions		19.888		16.207
			19.888	**16.207**
12. Income from write-ups to participating interests, shares in affiliated companies and securities held as fixed assets		39.467		15.757
			39.467	**15.757**
13. Transfers to the fund for general banking risks			**8.400**	**0**
14. Profit from ordinary activities			**46.986**	**36.078**

Profit and Loss Account of DVB Group
for the period from 1 January to 31 December 2002

€ mn			2002	2001
15. Extraordinary expenses			5.817	19.000
16. Income taxes			1.787	5.752
17. Other taxes not reported under item #16			0.013	0.024
18. Profits transferred under a profit pool, profit transfer agreement or partial profit transfer agreement			6.797	6.797
19. Net income			32.572	4.505
20. Profit carried forward			0.313	0.219
21. Transfer to retained earnings				
a) Amounts transferred to other retained earnings			28.063	0
22. Distributable profit			4.822	4.724

Balance Sheet of DVB Bank AG as at 31 December 2002

Assets (€ mn)				2002	2001
1. Cash reserve					
a) Cash on hand					21.960
b) Balances with central banks			244.837		131.691
Including: with Deutsche Bundesbank	244.837				131.691
c) Balances with Postal Giro Offices			—		—
				244.837	**153.651**
2. Debt instruments of public-sector entities and bills of exchange eligible for refinancing at central banks					
a) Treasury bills, non-interest-bearing treasury notes and similar sovereign debt				—	—
Including: eligible for refinancing with Deutsche Bundesbank					
b) Bills of exchange				—	—
Including: eligible for refinancing with Deutsche Bundesbank					
3. Placements with, and loans and advances to, other banks					
a) Payable on demand			292.451		561.190
b) Other placements, loans and advances			3,958.740		4,978.220
				4,251.191	**5,539.410**
4. Loans and advances to customers				**3,576.025**	**3,724.070**
Including: secured by mortgage charges					
Loans to local authorities	367.879				268.012
5. Bonds and other fixed-income securities					
a) Money market instruments				—	—
aa) Public-sector issuers					
ab) Other issuers					
b) Bonds and notes					
ba) Public-sector issuers		18.119			20.664
Including: Securities eligible as collateral with Deutsche Bundesbank	7.783				
bb) Other issuers		703.289	721.408		835.149
Including: Securities eligible as collateral with Deutsche Bundesbank	229.199				
c) Own debentures			0.031		
Nominal amount	0.030				
				721.439	**855.813**
6. Equities and other non-fixed income securities					**233.244**
7. Participating interests					
a) Participating interests			17.955		17.858
Including: Interests in banks	0.296				0.296
b) Members' capital contributions in co-operative societies			0.039		0.039
Including: Co-operative banks	0.039				0.036
				17.994	**17.897**
8. Interests in affiliated companies				**393.108**	**454.958**
Including: Interests in banks	312.599				371.976
Including: Interests in financial services providers					82.881
9. Intangible assets				**5.279**	**5.747**
10. Fixed assets				**5.402**	**6.650**
11. Treasury shares				**0.033**	**0.152**
Nominal amount	0.010				0.043
12. Other assets				**170.110**	**23.748**
13. Deferred items				**3.549**	**4.725**
Total assets				**9,388.967**	**11,020.065**

Balance Sheet of DVB Bank AG
as at 31 December 2002

Liabilities and capital (€ mn)			2002	2001
1. Liabilities to banks				
a) Payable on demand		2,439.544		2,406.670
b) With agreed term or period of notice		2,613.361		3,087.861
			5,052.905	**5,494.531**
2. Liabilities to customers				
a) Savings deposits			—	—
aa) With agreed period of notice of three months				
ab) With agreed period of notice of more than three months				
b) Other liabilities				
ba) Payable on demand	264.223			1,004.606
bb) With agreed term or period of notice	1,677.545	1,941.768		1,638.043
			1,941.768	**2,642.649**
3. Certificated liabilities				
a) Bonds issued		1,488.962		1,924.947
b) Other certificated liabilities				28.367
			1,488.962	**1,953.314**
Including: Money market instruments				28.367
Own acceptances and promissory notes outstanding				
4. Other liabilities			**26.152**	**90.545**
5. Deferred items			**4.360**	**4.377**
6. Provisions				
a) Provisions for pensions and similar liabilities		8.103		8.474
b) Tax provisions		2.204		2.209
c) Other provisions		47.827		41.098
			58.134	**51.781**
7. Special item with partial reserve character			—	**0.524**
8. Subordinated liabilities			**202.510**	**210.523**
9. Profit-participation certificates			**164.476**	**164.476**
Including: maturing within two years				
10. Fund for general banking risks			**121.470**	**79.390**
11. Capital and reserves				
a) Subscribed capital				
aa) Issued share capital	76.842			76.776
ab) Silent partnership certificates	77.500			77.500
		154.342		154.276
b) Capital reserve		106.750		106.639
c) Retained earnings				
ca) Legal reserve	1.278			1.278
cb) Reserve for treasury shares	0.033			0.152
cc) Statutory reserves				
cd) Other retained earnings	61.005			60.886
		62.316		62.316
d) Distributable profit		4.822		4.724
			328.230	**327.955**
Total liabilities and capital			**9,388.967**	**11,020.065**
1. Contingent liabilities				
a) Liabilities from guarantees and indemnity agreements		871.815		874.581
			871.815	**874.581**
2. Other commitments				
a) Irrevocable loan commitments		1,969.884		2,172.062
			1,969.884	**2,172.062**

Profit and Loss Account of DVB Bank AG
for the period from 1 January to 31 December 2002

€ mn			2002	2001
1. Interest income from				
a) Lending and money market transactions	347.386			403.420
b) Fixed-income securities and government debt	40.589	387.975		42.062
2. Interest expenses		333.541		418.916
			54.434	**26.566**
3. Current income from				
a) Equities and other non-fixed income securities		5.998		7.969
b) Participating interests and capital contributions in co-operative banks		0.030		1.238
c) Interests in affiliated companies		29.734		28.036
			35.762	**37.243**
4. Income from profit pools, profit transfer agreements or partial profit transfer agreements			**5.852**	**17.797**
5. Commission income		28.183		35.185
6. Commission expenses		6.369		10.973
			21.814	**24.212**
7. Net profit on financial operations			**3.614**	**6.516**
8. Other operating income			**6.363**	**12.469**
9. General administrative expenses				
a) Staff expenses				
aa) Wages and salaries	34.509			31.107
ab) Compulsory social security contributions and expenses for pensions and other employee benefits	5.966	40.475		5.687
Including: Retirement benefits 2.576				2.158
b) Other administrative expenses		40.519		45.414
			80.994	**82.208**
10. Depreciation/amortisation of, and write-downs on, intangible and fixed assets			**4.040**	**6.278**
11. Other operating expenses			**2.881**	**2.476**
12. Depreciation/amortisation of, and write-downs on, claims and certain securities, additions to loan loss provisions		19.569		7.602
			19.569	**7.602**
13. Income from write-ups to (2001: depreciation of, and write-downs on) participating interests, shares in affiliated companies and securities held as fixed assets		39.429		2.269
			39.429	**2.269**
14. Expenditure for assumption of losses			**0.173**	**0**
15. Transfers to (2001: income from amounts released from) fund for general banking risks			**42.080**	**7.261**

Profit and Loss Account of DVB Bank AG
for the period from 1 January to 31 December 2002

€ mn			2002	2001
16. Profit from ordinary activities			17.531	31.231
17. Extraordinary expenses			5.816	19.000
18. Income taxes			0.409	0.929
19. Profits transferred under a profit pool, profit transfer agreement or partial profit transfer agreement			6.797	6.797
20. Net income			4.509	4.505
21. Profit carried forward			0.313	0.219
22. Transfer to retained earnings				
a) Amounts transferred to other retained earnings				
23. Distributable profit			4.822	4.724

Notes to the Financial Statements of DVB Group and DVB Bank AG as at 31 December 2002

Preliminary Remarks

The annual financial statements of DVB Bank AG and the consolidated financial statements for the 2002 business year were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Accounting Directive for Banks (Verordnung über die Rechnungslegung der Kreditinstitute – RechKredV) taking into account the regulations of the German Stock Corporation Act (Aktiengesetz – AktG).

The notes to the financial statements of the DVB Group and DVB Bank AG have been combined. Unless indicated otherwise, the explanatory notes apply to both sets of financial statements. The subdivisions required for co-operative central institutions are also included in the balance sheet structure. As a general rule, explanatory notes to both the balance sheet and the profit and loss account have been included in the notes.

The possibilities of set-off permitted by the provisions of the German Commercial Code and the German Accounting Directive for Banks have been utilised.

Group of consolidated companies

The consolidated group of companies in accordance with section 294 of the German Commercial Code comprises the majority stakes of DVB Bank AG which fall under unified management, i.e. DVB Holding GmbH, Frankfurt/Main, International Transport Finance Ltd. (ITFL), London, and Nedship Bank N.V., Rotterdam, as well as these companies' subsidiaries (see overview of affiliates on pages 94-96). All of the above companies are wholly owned by DVB Bank AG.

Majority stakes which do not fall under unified management have not been included. Likewise, in accordance with section 296 (2) of the German Commercial Code, companies of minor importance have also not been included in the consolidated financial statements.

Consolidation policies

The financial statements of the companies included in the consolidated financial statements have been prepared as per the Group balance sheet date.

Capital was consolidated at book value. Any shareholders' equity acquired on a pro-rata basis is set off at cost at the time of acquisition. Positive goodwill is disclosed under intangible assets and depreciated over its useful life. All claims and liabilities as well as income and expense existing between enterprises included in the consolidated financial statements have been set off. Intra-group profits were eliminated in line with section 304 of the German Commercial Code.

Accounting and valuation principles

The financial statements of all companies included in the consolidated financial statements have been prepared in accordance with the uniform accounting and valuation principles of DVB Bank AG.

Receivables (asset items 3 and 4) are reported at their nominal values. A sufficient risk provision has been set aside for receivables vulnerable to default. Based on the default ratio experienced over the past five financial years, we have set aside general loan loss provisions for potential lending risks. Premiums paid and discounts received are carried as prepaid expenses/deferred income and are recognised as income or expense over the capital commitment period on a pro-rata basis.

Fixed-income **securities held as investments or as part of current assets** (asset item 5) are valued at the lower of cost or market at their historical cost or lower market value; securities collateralised using physical collateral are valued at their historical cost.
The requirement to reinstate original values (pursuant to the German Tax Relief Act (Steuerentlastungsgesetz) 1999/2000/2002; section 280 (1) of the German Commercial Code) has been complied with. **Participating interests** (asset item 7) are carried at cost or fair value (if lower). Stakeholdings resulting from contributions are carried at their fair value on the date the contribution was made.

Fixed assets (asset item 10) are carried at purchase or production costs reduced by depreciation on a pro-rata basis. Additions to moveable assets have been depreciated using the declining balance or straight line method. Any moveable assets added in the first half of the year have been depreciated at the full annual amount, whereas any such assets added in the second half have been depreciated at half the annual amount. Low-value assets are written down in full in the year of acquisition.

A fixed value was set for the **inventories of forms**.

Liabilities (liabilities items 1 and 2) are carried at the amounts to be repaid. Discounts paid are carried as deferred income and are written back over the capital commitment period on a pro-rata basis.

Provisions for pensions (liabilities item 6) are calculated on the basis of an actuarial opinion and valued by way of the cost ("Teilwert") method. The calculations are based on the actuarial tables of 1998, published by Dr Klaus Heubeck, applying an interest rate of 6.0% p.a. The other provisions are measured in such a way as to account for all identifiable risks.

The provisions for anniversary celebrations are allocated at tax-allowable values.

The translation of receivables, liabilities, securities, participating interests and tangible assets held in foreign currency, as well as pending cash transactions, is carried out at the spot rate in accordance with statement 3/1995 issued by the Banking Committee of the German Institute of Auditors (BFA) while the translation of pending forward contracts is carried out at the relevant forward rate. Any currency translation gains arising from collateralised items are identified in the profit and loss account. To the extent that these positions are not specifically covered, any gains are set off against translation losses in the same currency. Foreign subsidiaries of DVB Bank AG that carry out currency transactions are refinanced using liabilities with matching maturities. Any interests held are therefore identified in the subsidiary's functional currency and valued at current exchange rates. The earnings of the company's own foreign branches and a subsidiary are translated at the respective prevailing exchange rates, while the earnings of the other foreign subsidiaries are translated at the year-end rate.

Derivative financial instruments are valued at the principles set out in the statements 2/93 and 2/95 issued by the Banking Committee of the German Institute of Auditors, applying section 340h of the German Commercial Code accordingly. Using objective criteria, valuation units have been created among this product group and in respect of selected traditional financial instruments. Collateralised items are valued in accordance with the principle of loss-free valuation.

Foreign notes and coins are valued at the bid rate for banks.

The annual results of any subsidiaries in which the bank holds a majority interest are allocated to DVB Bank AG within the relevant periods by way of a profit and loss transfer or corresponding shareholders' resolutions.

Explanatory notes to the individual balance sheet items

Other placements with, and loans and advances to, banks with an agreed maturity or period of notice (asset item 3b) having a residual term of:

	2002		2001	
€ mn	**DVB AG**	**Group**	DVB AG	Group
Less than three months	2,618.2	642.2	3,523.2	1,675.9
Minimum of three months but less than one year	945.7	64.0	1,094.0	156.5
Minimum of one year but less than five years	321.6	150.8	239.8	115.7
Five years or longer	73.2	63.0	121.2	90.7
Total	**3,958.7**	**920.0**	**4,978.2**	**2,038.8**

The total amount of other placements with, and loans and advances to, banks for both DVB Bank AG and the Group also comprises loans and advances to affiliated enterprises totalling €3,614.0 million within DVB Bank AG (Group: €425.0 million) including €3,116.3 million to Nedship Bank N.V., €425.0 million to DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main, €72.7 million to ReiseBank AG, Frankfurt/Main, and loans and advances to affiliated "Sparda" banks totalling €211.9 million.

There are no claims to companies in which a participating interest is held. We invested €223.2 million in repurchase agreements. DVB Bank AG holds subordinated claims from affiliated companies totalling €114.4 million (Group: Nil).

Loans and advances to customers (asset item 4) have a residual term or notice period of:

	2002		2001	
€ mn	**DVB AG**	**Group**	DVB AG	Group
Payable on demand	210.6	200.1	176.4	172.5
Less than three months	220.6	253.8	398.0	430.8
Minimum of three months but less than one year	323.8	414.5	223.5	509.1
Minimum of one year but less than five years	1,403.1	2,507.3	1,210.7	2,725.1
Five years or longer	1,417.9	3,309.0	1,715.5	3,020.2
Total	**3,576.0**	**6,684.7**	**3,724.1**	**6,857.7**

Of the total DVB Bank AG amount, €260.2 million is related to loans and advances to affiliated companies and €2.9 million to companies in which a participating interest is held. At a Group level, €24.1 million is related to loans and advances to affiliated companies. The item loans and advances includes subordinated shareholder loans to subsidiaries totalling €2.9 million.

The item **bonds and other fixed-income securities** of DVB Bank AG (asset item 5) includes securities negotiable at a stock exchange of €721.4 million. Of the total securities, €616.8 million are exchange-listed. Securities collateralised using physical collateral totalling $38 million are valued at their historical cost, other securities are valued at the lower of cost or market.

Bonds and other securities amounting to €154.3 million (nominal value) will mature in 2003.

This includes €25.4 million for bonds and notes from affiliated companies.

Group companies and other interests held by DVB Bank AG

	Interest in % of capital	Book value of investment (€)	Net profit/ loss (€)	Equity (€)
I. Companies included in consolidated financial statements DVB Bank AG, Frankfurt/Main				
DVB Holding GmbH, Frankfurt/Main [1)]	100	79,237,323		10,455,782
ReiseBank AG, Frankfurt/Main [1)]			5,851,647	10,624,211
CashExpress GmbH, Frankfurt/Main [1)]			–172,696	242,864
International Transport Finance Limited, London [2)]	100	15,373	795,387	15,373
Nedship Bank N.V., Rotterdam	100	312,599,235	28,784,475	200,778,692
Nedship Shipping B.V., Rotterdam	100	1,556,972	15,877	1,541,095
Shipping Capital B.V., The Hague	100	6,490,438	784,507	5,705,931
Hollandse Scheepsbank Hypotheekbank N.V., Rotterdam	100	694,949	15,769	679,180
Illios Tourist Houses Development Ltd., Piraeus	100	0	0	0
DVB Group Merchant Bank Asia Ltd, Singapore	100	77,185,917	8,341,861	68,844,056
Nedship Financial Consultants E.P.E., Piraeus	100	633,657	25,318	608,339
Nedship International Inc., Greenwich, CT 06830/USA	100	1,301,412	19,675	1,281,737
NedshipBank America N.V., Curaçao	100	102,035,340	5,001,045	97,034,295
Nedship Participation (Norway B.), Rotterdam	100	656,179	3,682	652,497
Infifon XI B.V., The Hague	100	30,303	–890	31,193
Participate Maatschappij Majestic B.V., Groningen	100	129,087	–120,142	249,229
Scheepvaart Maatschappij Peter B.V., Rotterdam	100	–154,772	129,082	–283,854
Infifion 111 B.V., The Hague	100	691,633	23,457	668,176
Sea Sparow Shipping Co., Nicosia	100	0	0	0
Everhard Beleggingen B.V., Rotterdam	100	66,172	–22,107	88,279
Scheepvaart Maatschappij Ewout B.V., Rotterdam	100	15,251	379	14,872
Nedship Scheepvaarthuis B.V., Rotterdam	100	35,771	–97,038	132,809
Beheer-en Beleggingsmaatschappij Elrosa B.V., Rotterdam	100	20,072	560	19,512
Shipping Capital Antilles N.V., Curaçao	100	17,515,289	1,076,667	16,438,622
N & M ONE N.V., Curaçao	100	136,292	774	135,518
AER Holdings N.V., Curaçao	100	18,168	9,086	9,082
Navyarrow Shipping LIMITED, Nicosia	100	0		0
Elisabeth Navigation Ltd., Cyprus	100	0		0
Laura Shipping Ltd., Valetta	100	0		0
Beheer-en Beleggingsmaatschappij Holuco B.V., Utrecht	100	21,434	100	21,334
Caseforum Holding Ltd., Nicosia	100	0		0
Kalydna Compania Naviera S.A., Panama	100	0		0
Seaspectrum Shipping Ltd., Nicosia	100	0		0
Netherlands Shipmortgage Corporation Ltd., Hamilton	100	0		0
Navy Arrow Shipping Ltd., Nicosia	100	0		0

	Interest in % of capital	Book value of investment (€)	Net profit/ loss (€)	Equity (€)
II. a.) Affiliated companies not included in the consolidated financial statements				
DVB LogPay GmbH, Frankfurt/Main	100	250,000		[3)]
Zweite GfW Gesellschaft für Waggonleasing mbH & Co. KG, Hamburg	99.50	5,087		[3)]
DVL Deutsche Verkehrs-Leasing GmbH, Eschborn	39.00	1,001,406		[3)]
CashExpress, Prague	100	1		[3)]
Sextant Finance (Holding) Ltd., Brit. Virgin Islands (Navigation)	50.00	1,030,460	–195,733	1,226,193
II. b.) Companies not included in the consolidated financial statements				
DVB Processing GmbH, Frankfurt/Main	49.00	8,817,656		61,250
Crosby Court GmbH & Co. KG, Eschborn	100.00	102,258	910,377	0
Liquiditäts-Konsortialbank GmbH, Frankfurt/Main	0.23	295,743		[3)]
Münchener Hypothekenbank eG, Munich	shares 500	35,000		[3)]
Löcknitzer Vermietungs GmbH & Co. KG, Hanover	50.00	100,000		
Neerlandic B.V., Groningen	25.00	0	0	0
C.V. Scheepvaartondememing Neerlandic, Groningen	25.00	–342,150	–342,150	0
West Supply III AS, Haugesund	22.00	69,524		69,524
West Supply III KS, Haugesund	22.00	585,597		585,597
B.V. Majestic, Rotterdam	25.00	0		0
C.V. Scheepvaartondememing Majestic, Groningen	25.00	513,250	–108,954	622,204
Anna Elisabeth B.V., Veere	20.00	17,785		17,785
Anna Gabriele B.V., Veere	20.00	17,785		17,785
Anna Catharine B.V., Veere	20.00	17,785		17,785
Anna Constance B.V., Veere	20.00	17,785		17,785
Navigations Finance Corp. N.V., Brit. Virgin Islands	100.00	0		0
Oceanline Shipping Limited, Cyprus	50.00	0		0
Oceanterm Shipping Limited, Cyprus	50.00	0		0
Buccaneer Navigation Ltd., Bahamas	100.00	0		0
Rederij M.S. Prins Alexander, Rotterdam	5.00	0	–1,325	1,325

	Interest in % of capital	Book value of investment (€)	Net profit/ loss (€)	Equity (€)
Gemeenschappelijk Belang "Scheepvaart" C.V., Breskens	33.33	0		0
Motorship European Express C.V., Breskens	30.65	0		0
C.V.M.S. "Inger", Delfzijl	10.00	181,512	7,521	173,991
Carisbrooke Shipping CV 2, Rotterdam	0.69	19,102	5,272	13,830
Carisbrooke Shipping CV 3, Rotterdam	0.69	17,163		17,163
Leuvestein V.O.F, Rotterdam	33.33	0		0
Subsea & Workover Contractors B.V., Rotterdam	22.22	0		0
Seamoss CO SA, Panama	50.00	1,101,364		1,101,364
OOCL Shipping B.V., Rotterdam	37.50	47,678,078		90,000
III. Other investments of economic importance [3]				
KRAVAG-HOLDING AG, Hamburg	10.00	8,634,697		

1) There is a profit and loss transfer agreement with DVB Bank AG.

2) Net profit distributed to DVB Bank AG within the relevant period.

3) The option given in section 286 (3) sentence 1, No. 1 of the German Commercial Code was utilised with regard to the figures for the net profit/loss and equity capital.

Fixed assets and non-trading assets

DVB Bank AG investment overview

	Purchase/production cost 01 Jan 2002	Additions	Disposals	Exchange rate changes	Re-classifi-cations	Total write-ups	Write-ups for the business year	Total accumulated depreciation/ amortisation	Depreciation/ amortisation in the business year	Residual book value 31 Dec 2002
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Securities held as fixed assets	260.567	44.309	244.153	–8.563	0	0.169	0	0.700	0.700	51.629
Participating interests with, and capital contributions in, co-operative banks	18.578	0.100	0.003	0	0	0	0	0.681	0	17.994
Investments in affiliated companies	454.958	0.150	2.621	–59.379	0	0	0	0	0	393.108
Land and buildings	0.885	0.210	0	0	0	0	0	0.461	0.017	0.634
Office and operating equipment	22.850	1.738	1.946	0	0	0	0	17.874	3.150	4.768
Fixed assets	23.735	1.948	1.946	0	0	0	0	18.335	3.167	5.402
Intangible assets	6.653	0.405	0	0	0	0	0	1.779	0.874	5.279
Total	**764.491**	**46.912**	**248.723**	**–67.942**	**0**	**0.169**	**0**	**21.495**	**4.741**	**473.412**

DVB Group investment overview

	Purchase/production cost 01 Jan 2002 € mn	Additions € mn	Disposals € mn	Exchange rate changes € mn	Re-classifi-cations € mn	Total write-ups € mn	Write-ups for the business year € mn	Total accumulated depreciation/ amortisation € mn	Depreciation/ amortisation in the business year € mn	Residual book value 31 Dec 2002 € mn
Securities held as fixed assets	275.660	57.457	250.305	–10.276	0	0.263	0.094	0.700	0.700	72.099
Participating interests with, and capital contributions in, co-operative banks	12.982	51.299	2.074	–2.364	0	9.497	0.172	1.109	0.173	68.231
Investments in affiliated companies	5.010	0.150	2.621	–0.196	0	0	0	0.056	0.056	2.287
Land and buildings	6.304	0.500	0.127	0	0	0.411	0	1.128	0.283	5.960
Office and operating equipment	45.249	6.712	2.760	0.007	0	0.365	0.019	33.784	6.687	15.789
Equipment used by the Group	51.553	7.212	2.887	0.007	0	0.776	0.019	34.912	6.970	21.749
Leased assets	18.142	16.916	0	–2.819	0	0	0	1.097	1.097	31.142
Ships	9.316	0	0	–1.875	0	0	0	0	0	7.441
Rented assets	27.458	16.916	0	–4.694	0	0	0	1.097	1.097	38.583
Fixed assets	79.011	24.128	2.887	–4.687	0	0.776	0.019	36.009	8.067	60.332
Goodwill	132.488	0.002	0.318	–14.773	0	0	0	16.820	6.167	100.579
Software	6.653	0.405	0	0	0	0	0	1.779	0.874	5.279
Intangible assets	139.141	0.407	0.318	–14.773	0	0	0	18.599	7.041	105.858
Total	**511.804**	**133.441**	**258.205**	**–32.296**	**0**	**10.536**	**0.285**	**56.473**	**16.038**	**308.807**

Of the **participating interests** (Group and DVB Bank AG) (asset item 7), interests in the amount of €8.6 million are negotiable at a stock exchange but not listed. Of the total **interests in affiliated companies** (asset item 8) held by DVB Bank AG, interests totalling €312.6 million are negotiable at a stock exchange but not listed.

Both DVB Bank AG's commercially used building (€0.634 million) and the commercially used building of Nedship Bank N.V. are used by the owners themselves. The premises are partially let to third parties.

The aircraft or machine parts acquired from ITFL Ltd., London as part of sale and lease back arrangements and the ships acquired from Nedship N.V. are carried under the Group's rented assets/**leased assets**. Only scheduled depreciation was charged for these assets during the business year.

The primary components of the total amount of **intangible assets** (Group: asset item 9) of €105.9 million comprise the goodwill of Nedship Bank N.V. of €95.7 million (amortised over its useful life of 20 years), the take-over of eight branch offices from the insolvent assets of the Austrian RIEGERBANK of €4.4 million, the "Basle Motorway" branch to the amount of €0.5 million and SAP software costs to the amount of €5.3 million.

The Group's **other assets** (asset item 12) totalling €184.5 million comprise the following individual items:

€ mn	2002		2001	
	DVB AG	Group	DVB AG	Group
Option premiums	7.1	7.1	7.7	7.7
Precious metal	0.0	0.0	10.0	10.0
Taxes	4.3	4.3	2.3	2.3
Currency valuation	158.1	162.4	0.0	0.0
Other assets	0.6	10.7	3.7	11.2
Total	**170.1**	**184.5**	**23.7**	**31.2**

The **deferred items** (asset item 13; Group: €4.6 million, DVB Bank AG: €3.5 million) include capitalised discounts in line with section 268 (6) of the German Commercial Code of €1.7 million (DVB Bank AG: €1.7 million) and premiums recognised in line with section 340e (2) of the German Commercial Code of €2.0 million (AG: €1.0 million).

Liabilities to banks with an agreed maturity or period of notice (liabilities item 1b) have a residual term of:

€ mn	2002		2001	
	DVB AG	Group	DVB AG	Group
Up to three months	912.0	659.5	1,057.5	846.2
More than three months but less than one year	319.2	358.9	305.0	415.8
More than one year but less than five years	1,011.0	1,023.4	1,255.9	1,255.9
More than five years	371.2	371.2	469.4	469.4
Total	**2,613.4**	**2,413.0**	**3,087.8**	**2,987.3**

€1,046.0 million is related to DVB Bank AG's uncertificated liabilities to affiliated companies. This amount includes liabilities to DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main of €246.6 million, to DZ BANK International S.A., Luxembourg of €287.3 million and to Nedship Bank N.V. of €471.9 million. There are no uncertificated liabilities to companies in which a participating interest is held. The total amount for DVB Bank AG also comprises liabilities to affiliated "Sparda" banks totalling €3,083.4 million.

On the balance sheet date there were no liabilities for open-market transactions collateralised by securities.

Other liabilities to customers with an agreed maturity or period of notice (liabilities item 2bb) have a residual term of:

€ mn	2002		2001	
	DVB AG	Group	DVB AG	Group
Up to three months	88.5	96.1	277.1	280.0
More than three months but less than one year	68.1	101.1	33.5	58.4
More than one year but less than five years	340.7	351.4	354.8	365.6
More than five years	1,180.3	1,180.3	972.6	972.7
Total	**1,677.6**	**1,728.9**	**1,638.0**	**1,676.7**

On the balance sheet date, liabilities from the freight equalisation procedure totalled €59.4 million (31 December 2001: €118.8 million).

Of this total amount, €0.5 million is related to uncertificated liabilities to affiliated companies and €5.9 million is related to companies in which a participating interest is held.

All of the **certificated liabilities** (liabilities item 3) for both the Group and DVB Bank AG amounting to €1,489.0 million are related to bonds issued. Of this total, a nominal amount of €629.5 million will fall due in 2003 and €100.0 million in the next three months.

The bonds issued are bearer securities. The total amount also comprises liabilities to affiliated companies (DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main) with a nominal value of €261.8 million and US$61.8 million. Of the liabilities, €87.8 million is denominated in foreign currencies.

The Group's **other liabilities** (liabilities item 4) totalling €39.2 million include:

€ mn	2002		2001	
	DVB AG	Group	DVB AG	Group
Currency valuation	0.0	0.0	63.0	63.0
Option premiums	6.8	6.8	7.4	7.4
Interest on profit-participation certificates	11.5	11.5	11.5	11.5
Interest on silent partnerships	6.8	6.8	6.8	6.8
Other commitments	1.1	14.1	1.8	18.8
Total	26.2	39.2	90.5	107.5

The Group's **deferred items** (liabilities item 5) totalling €4.9 million also include discounts from purchased or directly extended loans in the amount of €2.6 million.

Provisions (liabilities item 6) were set aside in the total of €73.9 million (Group) and €58.1 million (DVB Bank AG) respectively. The other provisions comprise the following items:

€ mn	2002		2001	
	DVB AG	Group	DVB AG	Group
Credit risks	9.0	9.0	10.0	10.0
Staff remuneration	9.1	11.9	6.5	10.1
Other commitments	29.7	33.1	24.6	28.4
Total	**47.8**	**54.0**	**41.1**	**48.5**

Other liabilities include provisions for extraordinary measures:

From 2000 onwards, the European Commission has been investigating several European banks due to unlawful agreements in respect of the fee structure for transactions in foreign notes and coins. ReiseBank AG is affected by these investigations but in our opinion the facts do not indicate any matters that are liable for prosecution. For this reason, we took the precaution to set aside provisions to cover any legal costs and/or an unfavourable result of the proceedings in 2001. The course of the investigation to date does not give us any cause to increase the provisions.

The bank has planned and implemented various restructuring measures in connection with the strategic reorientation of its business. The termination of the agreement regarding DVB's central bank function by the association of "Sparda" banks in 2001 and the termination of its function to effect mass payment transactions have resulted in significant staff cuts, for which the bank's Board of Managing Directors passed a social compensation plan. In 2001 the bank calculated payment commitments for all of the employees affected and set aside provisions accordingly, based on this social compensation plan. In 2002 adjustments were needed in individual cases and additions were required for employees in the foreign notes and coins/precious metals trading business unit which was closed in business year 2002.

Subordinated liabilities of DVB Bank AG and the Group (liabilities item 8) totalling €202.5 million include the following issues:

	Amount in € 2002	Currency 2002	Interest rate in % 2002	Due date for redemption
Bearer debentures	57,500,000.00	€	6.00	17/08/2011
Promissory note loans	41,956,708.31	US$	3.00	31/05/2005
	10,225,837.62	€	5.24	20/10/2008
	10,000,000.00	€	5.12	24/03/2009
	10,000,000.00	€	6.50	04/11/2008
	5,112,918.81	€	5.14	16/09/2008
	5,112,918.81	€	5.12	16/09/2008
	5,112,918.81	€	5.23	10/09/2008
	5,112,918.81	€	5.24	20/10/2008
	5,000,000.00	€	6.70	02/08/2010
	5,000,000.00	€	6.71	16/08/2012
	5,000,000.00	€	6.68	13/10/2010
	5,000,000.00	€	6.32	15/08/2011
	3,500,000.00	€	5.55	24/06/2011
	2,556,459.41	€	5.06	26/11/2008
	2,556,459.41	€	5.15	10/09/2008
	2,556,459.41	€	5.18	08/09/2008
	2,556,459.41	€	5.01	22/09/2008
	2,556,459.41	€	5.01	22/09/2008
	2,556,459.41	€	5.08	23/03/2009
	2,500,000.00	€	6.67	04/02/2010
	2,500,000.00	€	6.26	17/08/2011
	2,300,813.47	€	5.05	23/03/2009
	2,000,000.00	€	6.53	21/06/2010
	500,000.00	€	6.53	21/06/2010
	255,645.94	€	5.05	23/03/2009

The total amount includes subordinated funds from affiliated companies (R+V Allg. Vers. AG, Wiesbaden), with a total nominal value of €3.5 million. With regard to subordinated liabilities, DVB Bank AG is under no obligation to redeem securities prior to maturity. In the event of bankruptcy, liquidation or composition proceedings, any claims from these liabilities including interest claims will be subordinated to all unsubordinated claims by any of the issuer's creditors. There is no agreement on the conversion of these liabilities to equity capital or any other form of debt. These liabilities therefore meet the requirements of supplementary capital as set out in section 10 (5a) of the German Banking Act (Kreditwesengesetz – KWG).

During the business year, expenses amounting to €10.4 million were incurred in relation to the liabilities reported under this item.

DVB Bank AG's **profit-participation certificates** (liabilities item 9) of €164.5 million include the following issues:

Amount in € mn 2002	Amount in € mn 2001	Listed	Interest rate in %	Due date for redemption
38.4	38.4	DM	6.750	2004
51.1	51.1	DM	6.270	2007
75.0	75.0	€	7.585	2009

The profit-participation certificates approved by resolutions of the General Meetings in 1993, 1998 and 2000 meet the requirements of section 10 (5) of the German Banking Act (KWG) for supplementary capital. The total amount of these certificates may be used to cover losses. Interest payments cannot exceed any distributable profit. The redemption rights of the profit-participation certificate holders are subordinated to the entitlements of other creditors.

During 2002, expenses in the amount of €11.5 million were related to interest payments on profit-participation certificates and reported under "other liabilities".

The **fund for general banking risks** (liabilities item 10) for DVB Bank AG includes write-up equivalents for intra-group participating interests totalling €79.4 million and the addition of €42.1 million during the current year. In the Group, €8.4 million was added from earnings for the period under review, while additional amounts were included in other retained earnings.

At the end of 2002, the Group's **capital and reserves** (without distributable profit; liabilities item 11) totalled €357.8 million.

The **subscribed capital** comprises the bank's issued share capital of €76.8 million plus contributions from silent partnerships totalling €77.5 million. The **issued share capital** of €76.8 million comprises 3,005,791 unit shares. Of this total, 2,567 shares were subscribed to by employees as part of a stock option plan during 2002. The issued amount was allocated to issued share capital in the amount of €65,600 and to the capital reserve in the amount of €0.111 million. DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main, holds 78.21% of the issued share capital, the "Sparda" banks hold 13.28% and Deutsche Bahn AG holds 0.75% of the issued share capital. The remaining shares are held in free float.

Silent partnerships account for capital contributions of €77.5 million. In line with the approval by the Extraordinary General Meeting on 8 March 2000, the bank has concluded agreements on the establishment of silent partnerships – partial profit transfer agreements within the meaning of sections 292 and 293 of the German Stock Corporation Act (AktG)

– with five shareholders. In accordance with section 10 (4) of the German Banking Act (KWG), any capital contributions by silent partners are added to the bank's core capital and are therefore subject to the following restrictions:

- The total amount of capital contributions is used to cover losses incurred by the bank. In the event of losses, no profits will be distributed to silent partners in the relevant business year.
- In the case of insolvency proceedings in respect of the bank's assets or liquidation of the bank, these capital contributions will be repaid only after all creditors have been satisfied; they rank pari passu with the repayment claims of other silent partners whose capital contributions also count towards the bank's own funds.
- The capital contribution may not be repaid during the entire term (until 31 December 2010).
- Termination of the silent partnership is excluded for the entire term.
- Any losses which reduce the silent partner's repayment claim during the term of the capital contribution may be compensated for only through profits arising prior to the silent partner's withdrawal.
- The loss-sharing arrangement cannot be subsequently changed to the detriment of the bank, nor can the subordination be subsequently limited or the term or period of notice shortened.

With regard to **further capital adjustments**, the Board of Managing Directors holds the following authorisations:

- Subject to approval by the Supervisory Board, the company is authorised to increase the issued share capital by up to a total amount of €36.0 million by issuing new shares for a cash contribution up to 12 June 2007.
- Special-purpose authorisations for the increase of issued share capital to cover any commitments that may arise from stock option plans.
- Authorisation effective until 22 September 2003 to issue profit-participation certificates on one or several occasions up to a total amount of €38.3 million with subscription rights granted to shareholders as a general rule.
- Authorisation effective until 7 March 2005 to issue profit-participation certificates on one or several occasions up to a total amount of €25.0 million with subscription rights granted to shareholders as a general rule.

Furthermore, the bank was authorised by the Annual General Meeting on 13 June 2002 to purchase its own shares for trading purposes pursuant to section 71 (1) No. 7 of the German Stock Corporation Act (AktG). This is subject to the proviso that the trading portfolio of shares purchased under this authority may not exceed 5% of the bank's issued share capital at the close of each day. The price for which treasury shares may be purchased must not fall below the price fixing for the relevant shares at the Frankfurt Stock

Exchange on the trading day prior to the purchase, less 10%. The highest price for treasury shares must not exceed the price fixing plus 10%. On the balance sheet date, the bank held treasury shares in the amount of €0.0326 million. The lowest price we recorded in our trading activities was €72.00 per share, the highest was €90.30 per share. During 2002, we purchased a total of 65,179 unit shares of DVB Bank AG at an average purchase price of €89.04. A total of 66,455 unit shares were sold at an average selling price of €79.56, thus incurring share price losses of €0.6304 million. During the year, the maximum holding of treasury shares on any one day was 64,661 unit shares; this corresponds to 2.15% of our share capital. At year-end, DVB Bank AG's trading portfolio contained 408 unit shares (asset item 11) at a book value of €0.0326 million. A reserve for treasury stock was formed in the same amount pursuant to section 272 (4) of the German Commercial Code. The reduction of €0.119 million during business year 2002 was added to the other revenue reserves. Companies included in the consolidated financial statements do not hold shares in the parent company.

The Group's liable capital is reinforced by capital reserves recognised for regulatory purposes. The capital reserves counting towards the liable capital in accordance with section 10 (2b) sentence 1 No. 6 in conjunction with section 10 (4a) sentence 1 of the German Banking Act (KWG) amount to €1.9 million (DVB Bank AG and Group). Capital reserves within the meaning of section 10 (2a) sentence 1 No. 7 of the German Banking Act (KWG) totalled €145.2 million.

The Group's **contingencies** include €548.7 million in guarantees and indemnity agreements. DVB Bank AG has pledged €262.0 million as collateral for subsidiaries' liabilities.

The **other liabilities** totalling €983.9 million consist of irrevocable loan commitments for aviation, shipping and railway finance.

Contingent liabilities not recognised on the balance sheet

An obligation to provide extra funds of up to five times the value of the interest held (31 December 2002: €2.3 million) exists with regard to Liquiditäts-Konsortialbank GmbH, Frankfurt/Main. In addition, the bank holds an interest in Münchener Hypothekenbank eG, Munich, for which the obligation to provide extra funds totalled €0.1 million as of 31 December 2002.

Other information

DVB Bank AG is a member of the deposit insurance scheme of the Federal Association of German Credit Unions and Rural Banking Co-operatives (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken). Moreover, DVB Bank AG is a member of the Pensions-Sicherungs-Verein a.G.; this organisation levies a contribution from all of its members.

The bank operates a retirement fund in the legal form of a mutual insurance association (V.V.a.G.) and is subject to the obligation of paying premiums for all staff insured.

DVB Bank AG made donations in 2002 totalling around €0.0237 million. These mainly comprise support for the flood disaster fund (Hochwasserhilfe) of €15,000 and for the Deutsches Technik Museum (German Technology Museum), Berlin of €5,000.

The consolidated balance sheet includes assets denominated in foreign currency to the equivalent of €5,904.8 million (DVB Bank AG: €5,860.2 million) and liabilities to the equivalent of €1,686.8 million (DVB Bank AG: €1,720.4 million).

The market risk is largely hedged by spot purchases of currencies amounting to €7.2 million and currency forward purchases totalling €83.8 million as well as spot sales of currencies amounting to €6.5 million and currency forward sales of €4,249.9 million as well as cross currency swaps and currency options of €233.7 million. Holdings of foreign notes and coins to the equivalent value of €16.7 million remain unhedged due to the sustained holding of cash balances, provided that such holdings remain within tolerable ranges.

Explanatory notes to the individual profit and loss account items

The Group's **interest income** (item 1) totalling €442.6 million includes income from bank balances (€102.8 million), fixed income securities (€41.5 million) and from loans to customers (€298.3 million). From business with clients trading on an international scale, the London-based subsidiary of DVB Bank AG's London branch generated interest income of €82.1 million, Nedship Bank Group reported interest income of €121.0 million and the subsidiary ITFL Ltd. recorded interest income of €18.2 million.

The Group's **commission income** (item 4) in the amount of €103.3 million includes items such as commissions for consulting on, structuring and managing international loans and income from administrative and brokerage services in the custodial and securities business for associated "Sparda" banks and for mutual funds and special funds. Of this total amount, commission income of €54.9 million was recorded by ReiseBank and CashExpress, which mainly comprises commissions from transactions in foreign currencies, income from ATMs, Western Union global cash transfers, the sale of "vignettes" (prepaid motorway fee coupons, e.g. in Austria or Switzerland), payment fees on credit cards and other commission income. The majority of this income was recorded by German branches.

The Group's **net profit on financial operations** (item 6) of €4.7 million includes items such as earnings from trading foreign notes and coins, precious metals and numismatics (€1.8 million), securities and financial instruments (€0.7 million) and currencies (€2.2 million). The majority of this income was recorded by German branches.

Other operating income totalling €7.0 million (Group: item 7) or €6.4 million (DVB Bank AG: item 8), generated almost exclusively in Germany, is broken down as follows:

€ mn	2002		2001	
	DVB AG	Group	DVB AG	Group
Release of provisions	1.6	3.1	0.8	1.6
Tax refund claims	0.3	0.3	0.9	0.9
Rental income	0.0	0.0	0.1	0.1
Income from the disposal of fixed assets	0.2	0.2	0.0	0.0
Income from intra-group services	3.6	0.0	10.5	0.0
Leasing income	0.0	2.1	0.0	0.0
Other income	0.7	1.3	0.2	1.1
Total	**6.4**	**7.0**	**12.5**	**3.7**

General administrative expenses (Group: item 8, DVB Bank AG: item 9) comprise staff expenses and other administrative expenses. They are broken down as follows:

Staff expenses:

€ mn	2002		2001	
	DVB AG	Group	DVB AG	Group
Wages and salaries	34.5	61.1	31.1	54.6
Social security contributions	3.4	7.4	3.5	7.0
Expenses for pensions	1.0	1.0	0.8	1.2
Retirement fund	1.1	2.2	0.9	2.4
Early retirement	0.5	1.0	0.5	0.6
Total	**40.5**	**72.7**	**36.8**	**65.8**

Other administrative expenses:

€ mn	2002 DVB AG	2002 Group	2001 DVB AG	2001 Group
Occupancy expenses	6.2	15.4	6.2	14.8
Joint Fund for Securing Customer Deposits	3.8	3.8	4.5	4.5
Operating costs	9.5	21.3	8.8	18.9
External services	19.0	29.9	24.9	34.4
Other operating expenditure	2.0	4.3	1.0	2.4
Total	**40.5**	**74.7**	**45.4**	**75.0**

Amortisation/depreciation of intangible and fixed assets (Group: item 9, DVB Bank AG: item 10) is broken down as follows:

€ mn	2002 DVB AG	2002 Group	2001 DVB AG	2001 Group
Office furniture and equipment	3.16	7.79	5.45	8.90
Land and buildings	0.01	0.28	0.01	0.28
Intangible assets	0.87	7.04	0.82	7.59
Total	**4.04**	**15.11**	**6.28**	**16.77**

Goodwill is subject to scheduled amortisation over its useful life.

Other operating expenses (Group: item 10, DVB Bank AG: item 11) totalling €3.69 million (Group) or €2.88 million (DVB Bank AG) which relate to Germany are broken down as follows:

€ mn	2002 DVB AG	2002 Group	2001 DVB AG	2001 Group
Losses from the disposal of assets	0.02	0.03	0.26	0.26
Expenses from intra-group services	1.18	0.00	0.90	0.00
Staff expenditure	0.69	1.03	0.52	0.92
Orther expenses	0.99	2.63	0.80	1.59
Total	**2.88**	**3.69**	**2.48**	**2.77**

As in the previous year, other operating expenses do not include any significant amounts which should be attributed to other business years.

Extraordinary expenses (Group: item 15, DVB Bank AG: item 17) totalling €5.8 million (DVB Bank AG and Group) include transfers to provisions due to closing and restructuring business units.

Segment reporting

Segment reporting illustrates how the individual business divisions contribute to the Group’s overall results. It is based on the internal management reporting system. This plays a key role as a forecasting, management and control instrument within DVB Group’s divisional structure. Segmentation highlights the bank's focus on its core competence in Transport Finance and is thus in line with the bank's strategic orientation.

The reporting segments are Transport Finance, non-core business (D-Marketing), Treasury/ Trading/Central Bank and DVB Holding. A further segment is Other/Reconciliation/ Consolidation.

- **Transport Finance** comprises the bank's activities in the fields of Shipping, Aviation, Land Transport and Transport Infrastructure including all Corporate Finance activities as well as DVB LogPay GmbH.
- **D-Marketing** comprises the remaining results of businesses which the bank intends to separate from in the short-term: this includes non-transport business and its business with transportation clients who do not meet volume and earnings requirements over the long term, as well as lending exposures to be settled.
- The **Treasury/Trading/Central Bank** division includes DVB's central treasury, own-account trading in money, foreign exchange, securities, foreign notes and coins and precious metals – insofar as these were still active in 2002 – as well as the remaining consulting and support services for “Sparda” banks.
- **DVB Holding** shows the contributions to the result made by the subsidiaries Reise Bank AG and CashExpress GmbH.
- The segment **Other/Reconciliation/Consolidation** comprises the results that do not fall under the individual business divisions’ areas of responsibility. This also includes adjustments that are necessary in order to reconcile the management figures from internal accounting, which are shown in the segment reporting of the operational business units, with the corresponding data from external accounting. This segment includes both costs for strategic multi-business division projects as well as income from balance sheet items not allocated to specific business lines, as well as the costs of service and settlement units. Expenditure for property and equipment in this segment also include the amortisation of goodwill from the acquisition of Nedship Bank N.V. effected as of 31 May 2000.

The success of the Group and the individual segments is measured on the basis of the profits from ordinary activities and the return on equity and cost/income ratio.

- **Return on equity** is calculated as the ratio of net income before taxes (excluding the amortisation of goodwill) to the average invested equity capital, and reflects the return on the capital used in the business unit. The Group aims to stabilise its RoE before taxes at 15% over the medium term and 20% over the long term, depending on interest rates.
- The **cost/income ratio** reflects the quotient of administrative expenses (including the depreciation of fixed assets, excluding the amortisation of goodwill) and operating income before loan loss provisions. It reflects the cost effectiveness of the individual divisions. The Group has set itself a medium term target of 60% for the cost/income ratio.

The figures in the segment report reflect the operating activities. In so doing, as a rule both income and expenses are shown at market prices and allocated to the business division responsible. The net interest income is calculated on the basis of market rates. In addition, this item also includes the return on the capital allocated to the business divisions. The imputed allocation of equity is in line with Liquidity Principle I of the German Banking Act and is based on the calculated average risk assets and the amounts to be included for market risks (risk asset equivalents). Administrative expenses include the costs of internal services as well as the directly allocable components of staff expenses, operating expenses, amortisation and depreciation of intangible and fixed assets. Internal services are invoiced to the recipient of the services, thus reducing the burden on the party providing the services. Risk provisions include both new net transfers to loan loss provisions for credit risks as well as payments on receivables that had already been written off and general loan loss provisions. Taxes are not currently allocated to the business divisions.

When combined, the individual segments' earnings total the Group's profits from ordinary activities of €47.0 million.

€ mn	Group		Transport Finance		D-Marketing		Treasury/ Trading/ Central Bank		DVB Holding (ReiseBank, CashExpress)		Other/Recon-ciliation/ Consoli-dation	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
Net interest income	97.3	89.2	60.8	63.1	–2.8	1.0	28.4	17.2	–1.3	–1.7	12.2	9.6
Net commission income	93.0	98.4	37.0	27.5	0.5	9.4	2.9	5.2	54.9	63.0	–2.3	–6.7
Net profit on financial operations	4.7	5.5	0.0	0.1	0.0	0.0	3.7	7.3	0.0	0.0	1.0	–1.9
Net other operating income/expenses	3.3	1.0	1.7	0.5	0.0	0.0	–0.1	0.0	–0.3	0.0	2.0	0.5
Total income	**198.3**	**194.1**	**99.5**	**91.2**	**–2.3**	**10.4**	**34.9**	**29.7**	**53.3**	**61.3**	**12.9**	**1.5**
Staff expenses	72.7	65.8	26.5	20.6	2.2	3.1	2.9	3.7	21.4	20.0	19.7	18.4
Operating expenses incl. amortisation/ depreciation [1]	89.8	91.8	22.3	18.4	1.4	6.0	3.2	7.2	24.9	21.9	37.9	38.3
Internal services	0.0	0.0	2.0	2.1	0.8	1.6	4.7	6.0	0.7	1.2	–8.2	–10.9
Administrative expenses incl. depreciation/amortisation	**162.5**	**157.6**	**50.8**	**41.0**	**4.4**	**10.7**	**10.8**	**16.9**	**47.0**	**43.1**	**49.4**	**45.8**
Operating profit excluding loan loss provisions	**35.8**	**36.5**	**48.8**	**50.2**	**–6.8**	**–0.3**	**24.1**	**12.8**	**6.3**	**18.2**	**–36.6**	**–44.3**
Net loan loss provisions	19.9	17.2	0.1	6.1	17.5	21.3	0.0	0.0	0.5	0.0	1.8	–10.2
Net other operating income/expenses	31.1	16.8	0.0	5.6	0.0	0.0	0.0	–3.2	0.0	–0.1	31.1	14.5
Profit from ordinary activities	**47.0**	**36.1**	**48.7**	**49.6**	**–24.3**	**–21.6**	**24.0**	**9.6**	**5.8**	**18.1**	**–7.3**	**–19.6**
Extraordinary expenses	5.8	19.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.8	19.0
Taxes	1.8	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8	5.8
Partial profit transfer agreements	6.8	6.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.8	6.8
Net income	**32.6**	**4.5**	**48.7**	**49.6**	**–24.3**	**–21.6**	**24.0**	**9.6**	**5.8**	**18.1**	**–21.7**	**–51.2**
Risk assets (average)	7,911.2	8,238.3	6,518.6	6,529.0	374.8	289.5	650.0	849.3	0.0	0.0	367.8	570.5
Capital (average)	252.1	251.4	228.2	199.2	13.1	8.8	22.8	25.9	0.0	0.0	–11.9	17.4
Cost/income ratio [2]	**79.1%**	**77.7%**	**45.4%**	**45.1%**			**14.9%**	**56.8%**	**77.7%**	**70.3%**		
Return on equity before taxes [2]	**15.9%**	**6.8%**	**21.3%**	**24.9%**			**105.4%**	**37.2%**				

[1] incl. amortisation of goodwill
[2] excl. amortisation of goodwill

The result enables us to propose to the Annual General Meeting of DVB Bank AG a **dividend** of €1.50 per unit share.

General explanations

The bank enters into **forward transactions** to hedge its own currency and interest-rate exposure in addition to trading with its customers.

The primary purpose of **foreign exchange forward and option contracts** is the hedging of foreign currency loans and deposits and holdings of foreign notes and coins. Furthermore, forward exchange deals, spot exchange deals and option contracts entered into on behalf of a customer are closed out using banking partners. As at 31 December 2002, the nominal volume of these transactions totalled €4,581 million, of which €4,330 million were transactions made directly for the exchange rate hedging of on-balance sheet operations.

We also use **other derivative financial instruments** for trading purposes, the bank's asset/liability management and also for hedging purposes at an individual transaction level. As at 31 December 2002, the nominal volume of these transactions at Group totalled €9,316 million – of which €8,364 million related to interest rate swaps, €872 million represented interest rate options and €80 million reflected forward rate agreements and interest rate futures.

Of the total amount in respect of interest rate instruments (€9,316 million), trading activities account for €2,413 million.

One subsidiary (ReiseBank AG) has entered into an interest rate hedging agreement of €50.5 million, while one other subsidiary concluded financial swaps totalling €48.3 million with DVB Bank AG.

Employees

Average number of DVB Group employees in 2002:

	2002		2001	
	DVB AG	**Group**	DVB AG	Group
Female employees	167	432	167	433
Male employees	249	518	271	507
Total	**416**	**950**	**438**	**940**

The average number of employees excludes vocational trainees, employees on parental leave and those involved in national or civil service but includes temporary employees.

Initial Declaration of Compliance within the meaning of section 161 of the German Stock Corporation Act (AktG)

In line with section 161 of the German Stock Corporation Act (AktG), Boards of Managing Directors and Supervisory Boards of listed companies were required to issue a Declaration of Compliance with the German Corporate Governance Code (GCG Code) by the end of 2002 for the first time. The declaration confirms to capital markets participants that the company complies with the recommendations contained in the Code. DVB Bank AG's Board of Managing Directors and Supervisory Board published their first Declaration of Compliance within the meaning of section 161 of the German Stock Corporation Act on 31 December 2002 in the Bundesanzeiger (Official Gazette) and simultaneously made this same declaration available to the public on the bank's website www.dvbbank.com under "Investor Relations – Corporate Governance – Declaration of Compliance".

Boards of DVB Bank AG

Supervisory Board

Uwe E. Flach, Chairman
Dr Peter Scharpf, Deputy Chairman
Lutz Baumgartl
Axel Clemens
Cornelia Jung
Heinz Hilgert, from 13 June 2002
Dr Peter Klaus
Hemjö Klein
Dr Friedbert Malt, until 13 June 2002
Hermann Möller
Dr Ing Manfred Mücke
Prof Dr Manfred Schölch
Rosemarie Schur-Heimann

No member of the Supervisory Board was absent from more than half of the Supervisory Board meetings in 2002 during their respective periods of office.

Board of Managing Directors

Wolfgang F. Driese, Chairman
Dagfinn Lunde, from 22 February 2002
Klaus W. Heinemann, until 30 September 2002
Rainer Irmen (Deputy), until 31 December 2002

The professions of the members of the Supervisory Board and Board of Managing Directors and the offices held by them are stated at the end of these notes.

The **emoluments** paid to Board members throughout 2002 amounted to:

€ mn	2002	2001
Board of Managing Directors	1.671	1.224
Supervisory bodies	0.083	0.122
Former members of the Board of Managing Directors and their surviving dependants	0.444	0.436
Total	**2.198**	**1.782**

The emoluments paid to the members of the Board of Managing Directors comprise a fixed component of €1.206 million plus a variable component of €0.465 million. The members of the Board of Managing Directors hold 2,260 shares in DVB Bank AG, while the members of the Supervisory Board hold 19 shares in the bank.

DVB Bank AG has availed itself of the opportunity offered under section 286 (4) of the German Commercial Code (HGB) to omit some of the disclosures required by section 285 No. 9b of the same Code.

€3.2 million has been set aside as provisions for pension liabilities to former members of the Board of Managing Directors and their surviving dependants.

Cash flow statement

The cash flow statement provides information on the changes in the bank's cash and cash equivalents, whereby the cash flows are categorised in accordance with their designated purpose. This is done using the indirect method which is based on the extended flow-of-funds statement and can be directly derived from the Group's accounting system.

According to the very narrow definition used by DVB, cash and cash equivalents only include "cash reserve" and "debt instruments of public-sector entities and bills of exchange eligible for refinancing at central banks".

The cash flow statement shows the changes in cash and cash equivalents by structuring the cash flows and breaking these down into operating activities, investing activities and funding activities.

The allocation to the relevant operating activities is not only based on a very wide definition but also on the factors impacting on the operating profit (or loss) from the ordinary banking business. The definition of cash flow from investing activities is largely limited to payments received on the disposal of tangible or financial assets and payments made for the purchase of such assets respectively. In view of the fact that external financing by third parties is an integral part of the ordinary (and therefore operating) business of banks, DVB has focused the overview of the bank's cash flow from funding activities on equity providers.

Any changes in cash and cash equivalents over the business year resulted from the three business lines plus any net effects from exchange rate changes. Any receivables and liabilities from foreign currencies transactions were translated at the reporting date using the spot middle rate, as all foreign currency transactions are subject to specific cover.

The cash flow from operating activities totals €167 million. Of this, €28 million was used for investments, €32 million was added to financial funds and €107 million was added to cash and cash equivalents.

Consolidated statement of cash flows of DVB Group 2002:

		31 Dec 2002			31 Dec 2001	
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Net income		32.572			4.724	
Non-cash items comprised in net income and reconciliation to cash flow from operating activities						
Net loan loss provisions	19.866	0.022		24.492		
Depreciation, write-downs and additions on fixed assets and non-trading assets		15.108			0.741	
Changes in provisions/reserves		5.272			19.328	
Changes in other non-cash items	6.670			–23.283	0.801	
Profits from the disposal of fixed assets and non-trading assets		39.467				
Other adjustments (predominantly interest received less interest paid)	97.332			100.887		
Subtotal	**123.868**	**92.441**	**–31.427**	**102.096**	**25.594**	**–76.502**
	Application of funds € mn	**Source of funds € mn**	**Net cash flow € mn**	**Application of funds € mn**	**Source of funds € mn**	**Net cash flow € mn**
Balance carried forward	123.868	92.441	–31.427	102.096	25.594	–76.502
Changes in assets and liabilities from operating activities after adjustment for non-cash items						
Placements with, and loans and advances to, other banks		1,426.691		716.762		
Loans and advances to customers		173.018		612.705		
Securities		362.512		223.416		
Other assets from operating activities	150.738				173.217	
Liabilities to banks	562.569				708.392	
Liabilities to customers	614.600				214.706	
Certificated liabilities	464.352				432.416	
Other liabilities from operating activities	68.521				62.674	
Interest and dividends received		450.940			552.469	
Interest paid	353.608			451.666		
Cash flow from operating activities	**2,338.256**	**2,505.602**	**167.346**	**2,106.645**	**2,169.468**	**62.823**
Proceeds from the disposal of fixed assets and non-trading assets		19.340			4.862	
Payments for the acquisition of fixed assets and non-trading assets	46.895			45.005		
Impact of changes in the consolidated group of companies					0	
Changes due to other investing activities					0	
Cash flow from investing activities	**46.895**	**19.340**	**–27.555**	**45.005**	**4.862**	**–40.143**
Proceeds from capital increases		0.177			0.251	
Dividends paid	4.505			10.800		
Changes due to other funding activities	0.137	0.095			68.927	
Retained earnings	28.063					
Cash flow from financing activities	**32.705**	**0.272**	**–32.433**	**10.800**	**69.178**	**58.378**
Cash and cash equivalents at the beginning of the period			202.281			121.223
Cash flow from operating activities			**167.346**			**62.823**
Cash flow from investing activities			**–27.555**			**–40.143**
Cash flow from financing activities			**–32.433**			**58.378**
Impact of exchange rate fluctuations						0
Cash and cash equivalents at the end of the period			309.639			202.281

Consolidated Financial Statements

In its capacity as a parent company, DVB Bank AG is also a subsidiary of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main.

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main, prepared both the consolidated financial statements and the Group management report as at 31 December 2002 which were deposited with the Frankfurt/Main District Court (Amtsgericht Frankfurt/Main). As DVB Bank AG has been included in these statements and reports, it is not required to prepare its own financial statements.

Frankfurt/Main, 14 March 2003

DVB Bank AG
The Board of Managing Directors

Wolfgang F. Driese

Dagfinn Lunde

Offices held on Supervisory Boards and other controlling bodies
(Disclosure pursuant to section 285 No. 10 of the German Commercial Code – HGB)

Supervisory Board

Uwe E. Flach	Chairman Bank director Deputy Chairman of the Board of Managing Directors DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main Deputy Chairman of the Supervisory Board Union Asset Management Holding AG, Frankfurt/Main Deutsche Börse AG, Frankfurt/Main Member of the Supervisory Board Andreae-Noris-Zahn AG, Frankfurt/Main Stada Arzneimittel AG, Bad Vilbel
Dr Peter Scharpf	Deputy Chairman Lawyer and auditor Chairman of the Board of Managing Directors Verband der Sparda-Banken e.V. (Association of "Sparda" Banks), Frankfurt/Main Member of the Supervisory Board DEVK Lebensversicherungsverein aG., Cologne DEVK Allgemeine Versicherungs-AG, Cologne Member of the Advisory Board Bausparkasse Schwäbisch Hall, Schwäbisch Hall BHW Holding AG, Schwäbisch Hall Member of the Management Board DZ BANK International S.A. Luxembourg Chairman of the Foundation Council Paul Wilhelm von Keppler foundation, Stuttgart
Lutz Baumgartl*	Bank officer (Bankkaufmann) DVB Bank AG, Frankfurt/Main
Axel Clemens*	Bank employee DVB Bank AG, Frankfurt/Main
Cornelia Jung*	Bank officer (Bankkauffrau) DVB Bank AG, Frankfurt/Main
Heinz Hilgert	Bank director Member of the Supervisory Board from 13 June 2002 Member of the Board of Managing Directors DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main Chairman of the Supervisory Board Union Asset Management Holding AG, Frankfurt/Main Member of the Supervisory Board SÜDWESTBANK Aktiengesellschaft, Stuttgart R+V Lebensversicherung AG, Wiesbaden

**elected by employees*

Dr Peter Klaus	Bank director Member of the Board of Managing Directors Kreditanstalt für Wiederaufbau (Bank for Reconstruction and Development), Frankfurt/Main Member of the Supervisory Board debis AirFinance BV, Amsterdam Frachtcontor Junge & Co, Hamburg Babcock Borsig AG, Oberhausen Georgsmarienhütte Holding GmbH, Georgsmarienhütte Allgemeine HypothekenBank, Rheinboden AG, Frankfurt/Main ThyssenKrupp Technologies AG, Essen STEAG AG, Essen
Hemjö Klein	Merchant Chairman of the Board of Managing Directors LIVE HOLDING AG, Buchschlag Chairman of the Supervisory Board LCC 24 AG, Berlin Board of Directors Convergence CT. Inc, Pleasanton, California/USA Executive Council Compass Partners International Limited, London
Dr Friedbert Malt	Bank director Member of the Supervisory Board until 13 June 2002
Hermann Möller	Bank director Chairman of the Board of Managing Directors Sparda-Bank Baden-Württemberg eG, Stuttgart Chairman of the Association Council of the Verband der Sparda-Banken e.V. (Association of "Sparda" Banks), Frankfurt/Main Member of the Supervisory Board DEVK Allgemeine Lebensversicherungs AG, Cologne Member of the Advisory Board BHW AG, Hameln
Dr Ing Manfred Mücke	Engineer Chairman of the Board of Managing Directors KRAVAG-SACH Versicherung des Deutschen Kraftverkehrs VaG, Hamburg KRAVAG-LOGISTIC Versicherungs-AG, Hamburg Member of the Board of Managing Directors R+V Versicherung AG, Wiesbaden R+V Allgemeine Versicherung AG, Wiesbaden Chairman of the Supervisory Board KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg KRAVAG-HOLDING AG, Hamburg KRAVAG-LEBEN Versicherungs-AG, Hamburg Member of the Management Board HGK Handelsgesellschaft für Kraftfahrzeugbedarf mbH & Co. KG, Duesseldorf

Prof Dr Manfred Schölch	Lawyer Deputy Chairman of the Board of Managing Directors Fraport AG, Frankfurt/Main Chairman of the Supervisory Board Flughafen Frankfurt-Hahn GmbH, Frankfurt-Hahn Flughafen Saarbrücken Betriebsgesellschaft mbH, Saarbrücken Tradeport Frankfurt GmbH, Frankfurt/Main Member of the Board of Trustees Airport Assekuranz Vermittlungs-GmbH, Frankfurt/Main Airmail Center Frankfurt GmbH, Frankfurt/Main
Rosemarie Schur-Heimann**	Bank employee, ReiseBank AG, Stuttgart

*** appointed by the court as of 5 September 2000*

Committees of the Supervisory Board

Credit Committee

Uwe E. Flach	Chairman
Dr Peter Klaus	Deputy Chairman
Dr Friedbert Malt	until 13 June 2002
Axel Clemens	from 20 September 2002

Executive Committee

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

Board of Managing Directors

Wolfgang F. Driese	Chairman of the Board of Managing Directors DVB Bank AG, Frankfurt/Main Chairman of the Supervisory Board ReiseBank AG, Frankfurt/Main CashExpress GmbH, Frankfurt/Main Nedship Bank N.V., Rotterdam Nedship Bank America N.V., Curaçao Member of the Supervisory Board KRAVAG-SACH VVaG, Hamburg Chairman of the Board of Directors DVB Capital Partners Ltd., London International Transport Finance Ltd, London Member of the Board of Directors DVB Group Merchant Bank Asia Ltd, Singapore

Dagfinn Lunde	Member of the Board of Managing Directors from 22 February 2002 DVB Bank AG, Frankfurt/Main Chairman and CEO Nedship Bank N.V., Rotterdam Member of the Board of Directors Nedship International, Inc., New York DVB Group Merchant Bank Asia Ltd, Singapore DVB Capital Partners Ltd., London Navigation Finance Corporation Ltd., Greenwich, Connecticut/USA Member of the Supervisory Board Nedship Bank America N.V., Curaçao ReiseBank AG, Frankfurt/Main CashExpress GmbH, Frankfurt/Main
Klaus W. Heinemann	Member of the Board of Managing Directors until 30 September 2002 DVB Bank AG, Frankfurt/Main Member of the Board of Directors Navigation Finance Corporation Ltd., Greenwich, Connecticut/USA, until 31 December 2002 DVB Group Merchant Bank Asia Ltd, Singapore, until 30 September 2002 International Transport Finance Ltd., London, until 30 September 2002 DVB Capital Partners Ltd., London, until 30 September 2002 Member of the Supervisory Board ReiseBank AG, Frankfurt/Main, until 31 October 2002 CashExpress GmbH, Frankfurt/Main, until 30 September 2002 Nedship Bank N.V., Rotterdam, until 30 September 2002
Rainer Irmen	Deputy Member of the Board of Managing Directors until 31 December 2002 DVB Bank AG, Frankfurt/Main Member of the Supervisory Board ReiseBank AG, Frankfurt/Main, until 31 January 2003 CashExpress GmbH, Frankfurt/Main, until 31 December 2002

Auditors' opinion

We have audited the financial statements of DVB Bank AG, Frankfurt/Main, together with its Consolidated Financial Statements and its Management Report, covering both the company and the entire Group for the business year beginning 1 January and ending 31 December 2002. The company's legal representatives are responsible for the preparation of these documents in accordance with the German Commercial Code. Having conducted an audit which included the accounting records, our responsibility is to express an opinion on the Financial Statements and the Management Report of both the company and the entire Group.

We conducted our audit in accordance with section 317 of the German Commercial Code, observing the generally accepted German auditing principles as laid down by the German Institute of Auditors (IDW). These standards require that we plan and perform the audit to obtain reasonable assurance on whether the Financial Statements and the Consolidated Financial Statements (based on generally accepted accounting principles) and the Management Report for both the company and the entire Group are free of material misrepresentations and present a true and fair view of the net worth, financial position and results of the company. In determining specific actions within the scope of our audit, we considered the company's business activities as well as its economic environment and legal structure. Expectations regarding potential sources of error were also taken into account. The conduct of an audit includes examining the effectiveness of the company's internal control systems and, on a sample basis, evidence supporting the information contained within the accounting records and disclosed in the Financial Statements and the Consolidated Financial Statements as well as in the Management Report for both the company and the entire Group. The scope of an audit also includes assessing the accounting principles and consolidation policies used and the significant estimates of the company's legal representatives, as well as evaluating the overall presentation of the Financial Statements, Consolidated Financial Statements and the Management Report for both the company and the entire Group. We are confident that our audit provides a sufficiently sound basis on which to make an assessment. Our audit led to no objections.

In our opinion, both the Financial Statements and the Consolidated Financial Statements present, in compliance with generally accepted accounting principles, a true and fair view of the company's and the Group's net worth, financial position and results. The Management Report gives a true and fair overall view of both the company's and the Group's situation and of any risks inherent in future developments.

Frankfurt/Main, 14 March 2003

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Rönnberg	ppa. Thomas
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Chartered Accountant)	(German Chartered Accountant)

Report of the Supervisory Board

Dear shareholders,

The Supervisory Board and the committees drawn from its members have fulfilled the obligations incumbent upon them under applicable statutes and the bank's Memorandum and Articles of Association, have taken decisions in respect of transactions that required approval and have continuously supervised the management of the bank and the Group during the business year 2002.

The Supervisory Board and its committees were kept informed by, and held discussions with, the Board of Managing Directors on a regular basis regarding the business development and overall situation of DVB Bank AG and the DVB Group, the business policies contemplated by the Management Board and corporate planning issues (including planning with respect to the bank's finances, investments and human resources), as well as significant transactions. Where required, the Chairman of the Supervisory Board and the Chairman of the Board of Managing Directors also regularly discussed individual current topics between Supervisory Board meetings. In addition, the Chairman of the Supervisory Board advised the bank in respect of strategic, business development and risk management issues. A steady flow of information and exchange of views between the Supervisory Board and the Board of Managing Directors was thus ensured.

The Supervisory Board held four meetings during the year 2002, on 22 February, 15 April, 20 September and 21 November 2002. In addition to the usual information regarding the bank's business development, the Supervisory Board's discussions in the course of these meetings dealt with fundamental issues and decisions associated with the bank's strategic focus on its core areas of expertise. A focal point was the development of the bank's individual divisions and core businesses. Discussions also covered the continuous reduction of non-core activities and the related discontinuation of additional non-core businesses and service units – in particular, the outsourcing of freight netting services to the newly-established subsidiary, DVB LogPay GmbH. The Supervisory Board also kept itself informed on the risk exposure of the bank and the Group, as well as the on-going development of systems and procedures employed, particularly with regard to market and counterparty risks.

The Supervisory Board was also required to take various decisions in respect of senior managment during the period under review. Mr Dagfinn Lunde was appointed to the Board of Managing Directors with effect from 22 February 2002. Mr Klaus W. Heinemann departed from the bank, at his own request, on 30 September 2002. The Supervisory Board approved the request of Mr Rainer Irmen to retire from his office as Deputy Member of the Board of Managing Directors with effect from 31 December 2002.

At its four meetings, the Credit Committee discussed all credit exposures which had to be submitted by law, or under the bank's Memorandum and Articles of Association, as

Uwe E. Flach

well as large exposures or those subject to higher risks. Where required, the Committee approved the respective applications. Where necessary, the Credit Committee took decisions between meetings, by way of circulation. In addition to credit, market and country risks, the Committee also discussed liquidity risks. The Board of Managing Directors kept the Committee members informed, on a regular basis, regarding non-performing exposures and those subject to particular risks. The joint discussions covered the structure of the bank's loan portfolio and special events affecting the lending business. In particular, developments in the aviation sector were analysed in detail.

In the course of six meetings during the period under review, the Executive Committee concentrated on personnel matters pertaining to the Board of Managing Directors and other tasks delegated to the Committee by the Supervisory Board. Furthermore, the Committee was kept informed by the Board of Managing Directors of the conclusion of any employment contract with executive staff where the annual remuneration was in excess of a set threshold.

The Credit and Executive Committees reported to the Supervisory Board on their activities. No member of the Supervisory Board was absent from more than half of the Supervisory Board meetings in 2002 during their respective periods of office. The members of the Supervisory Board duly noted the recommendations of the German Corporate Governance Code and issued a Declaration of Compliance in this respect. The Supervisory Board duly noted the Declaration of Compliance issued by the Board of Managing Directors with respect to the German Corporate Governance Code.

The Annual General Meeting held on 13 June 2002 elected Mr Heinz Hilgert as a member of the Supervisory Board for the remaining term of office of Dr Friedbert Malt, who had resigned from his office at the end of the aforementioned Annual General Meeting.

The Accounts, the Financial Statements and the Management Report of DVB Bank AG, together with the Consolidated Financial Statements and the Group Management Report of DVB Group for the business year 2002, have been examined in accordance with the German Commercial Code and certified without qualification by PwC Deutsche Revision

Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, the external auditors appointed by the Annual General Meeting.

The auditors' reports were distributed to all members of the Supervisory Board in good time before the balance sheet meeting held on 24 March 2003. The auditors who certified the Financial Statements and Consolidated Financial Statements were present at this meeting, and at the meeting of the Credit Committee on 19 February 2003. During both meetings, they gave an account of their audit in general and on major individual items and provided detailed answers to questions from members of the Supervisory Board. The subsequent examination by the Supervisory Board of the Financial Statements and Consolidated Financial Statements, the Management Report and the Group Management Report as of 31 December 2002, as presented by the Board of Managing Directors, as well as its proposal for the appropriation of distributable profit, gave no cause for objections. The Supervisory Board approves the Financial Statements as at 31 December 2002 prepared by the Board of Managing Directors, which are thus confirmed. The proposal by the Board of Managing Directors for the appropriation of the distributable profit and for payment of a dividend of €1.50 per share, is also endorsed by the Supervisory Board.

The Board of Managing Directors has prepared and submitted the mandatory report on business relationships with affiliated enterprises during the business year 2002; 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 German Stock Corporation Act.

The Supervisory Board would like to thank Dr Friedbert Malt for his trusting co-operation. The Supervisory Board would also like to thank the Board of Managing Directors, Messrs Klaus W. Heinemann and Rainer Irmen, who resigned from the Board of Managing Directors, and all employees, for their outstanding commitment.

For the Supervisory Board

Uwe Flach

Uwe E. Flach
Chairman

Responsibilities of the Board of Managing Directors

(as at 14 March 2003)

	Wolfgang F. Driese	Dagfinn Lunde
Client Areas	**Transport Finance** **Aviation** David Goring-Thomas	**Transport Finance** **DVB Nedship Bank N.V.** Richard Groeneveld Peter Illingworth
	Transport Finance **Credit Aviation** Carsten Gutknecht-Stoehr	**Transport Finance** **Credit Shipping** Peter Illingworth
	Land Transport Division Martin Metz	
	Transport Infrastructure Division Karsten T. Landgraf	
	Transport Finance **Credit Land and Infrastructure** Gerhard Kaiser	
	DVB Capital	
	International Transport Finance Ltd. Graham Grover	
	ReiseBank AG/CashExpress GmbH Horst Erler Wolf-Dieter Weschke	
	DVB Processing GmbH Walter Bucher Alfred Scherff	
	D-Marketing Rainer Nothwang	
Product/Service Areas	**Inhouse Consulting** Hermann Siegling	**Group Human Resources** Jürgen von Zeppelin
	Group Treasury Michael Braumöller	**Operations & IS** **Information Systems & Organisation** Richard Groeneveld
	Corporate Communications Prof Dr Borislav Bjelicic	**Group Accounting and Taxes** Dr Oliver Bernards
	Financial Institutions Jürgen Haupt	**Group Financial Controlling** Martin Kinzel
	Group Risk Management Rolf Büttner	**Central Compliance Office** Arno Grunhold
		Audit Elena Segerbarthold Andrew Williams

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The Annual Report 2002 is published in English and German.

Risks inherent in forward-looking statements

This Annual Report contains forward-looking statements, including references to the future development of DVB. These statements are based on assessments and forecasts which, in turn, are based on assumptions.

We wish to point out that these assessments and forecasts are inevitably subject to the risk of human error and may, therefore, turn out to be incorrect. By their very nature, any deliberations regarding future developments represent conjecture rather than precise predictions. Future developments may indeed diverge from expectations, not least due to fluctuations in capital market prices, exchange rates or interest rates, or as a result of fundamental changes in the economic environment.

Although we believe the forward-looking statements are realistic we cannot, for the reasons outlined above, accept any responsibility as to whether they will actually materialise. We do not intend to update any forward-looking statements made in this report.

Planned, implemented and edited by:
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Creative concept and realisation:
Golin/Harris, Frankfurt/Main, Germany

Pictures:
Board of Managing Directors of DVB Bank AG (page 5):
René Spalek, Offenbach/Main, Germany

Chairman of the Supervisory Board of DVB Bank AG (page 125):
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