

## Consolidated balance sheet as at 31 December 2006

<i>Assets (€ mn)</i>	Note #	<b>31 Dec 2006</b>	31 Dec 2005	%
Cash and balances with the central bank	(28)	163.0	48.9	–
Loans and advances to banks	(29)	600.7	877.0	–31.5
Loans and advances to customers	(30)	8,925.0	8,775.5	1.7
Allowances for losses on loans and advances	(31)	–124.2	–120.9	2.7
Positive fair values of hedging derivatives	(32)	172.8	317.9	–45.6
Financial assets held for trading	(33)	96.6	83.7	15.4
Investment securities	(34)	196.9	318.2	–38.1
Investments accounted for at equity	(35)	48.1	31.9	50.8
Intangible assets	(36)	82.0	80.1	2.4
Property and equipment	(37)	469.0	350.2	33.9
Income tax assets	(39)	22.5	83.4	–73.0
Other assets	(40)	13.8	9.6	43.8
Assets held for sale	(41)	432.9	0.0	–
<b>Total assets</b>		<b>11,099.1</b>	<b>10,855.5</b>	<b>2.2</b>

<b>Equity and liabilities (€ mn)</b>	Note #	<b>31 Dec 2006</b>	31 Dec 2005	%
Deposits from other banks	(42)	2,554.8	2,932.2	-12.9
Deposits from customers	(43)	4,033.4	3,602.5	12.0
Securitised liabilities	(44)	3,029.5	2,860.7	5.9
Negative fair values of hedging derivatives	(45)	59.0	110.7	-46.7
Financial liabilities held for trading	(46)	46.1	63.5	-27.4
Provisions	(47)	57.6	55.8	3.2
Income tax liabilities	(48)	42.3	98.9	-57.2
Other liabilities	(49)	33.2	13.9	-
Subordinated liabilities	(50)	537.1	494.7	8.6
Liabilities held for sale	(51)	1.3	0.0	-
Equity	(52)	704.8	622.6	13.2
Issued share capital		99.5	99.6	-0.1
Capital reserve		199.4	199.5	-0.1
Retained earnings		369.9	292.7	26.4
thereof: Fund for general banking risk		82.4	82.4	0.0
Revaluation reserve		20.4	26.6	-23.3
Hedging reserve – cash flow hedges		3.7	-1.4	-
Currency translation reserve		-2.9	-8.0	-63.8
Distributable profit		12.5	9.5	31.6
Minority interests		2.3	4.1	-43.9
<b>Total equity and liabilities</b>		<b>11,099.1</b>	<b>10,855.5</b>	<b>2.2</b>

## Consolidated income statement for the period from 1 January to 31 December 2006

€ mn	Note #	1 Jan 2006– 31 Dec 2006	1 Jan 2005– 31 Dec 2005	%
Interest income		680.4	548.5	24.0
Interest expenses		525.7	439.8	19.5
Net interest income	(18)	154.7	108.7	42.3
Impairment losses on loans and advances	(19)	23.8	14.9	59.7
Net interest income after loan losses		130.9	93.8	39.6
Fee and commission income		74.4	63.1	17.9
Fee and commission expenses		6.2	5.9	5.1
Net fee and commission income	(20)	68.2	57.2	19.2
Net trading income	(21.1)	-1.3	23.2	-
Hedge result	(21.2)	-1.7	-23.0	-92.6
Result from the application of the fair value option	(21.3)	1.7	-6.6	-
Result from derivatives entered into without intention to trade	(21.4)	9.1	2.9	-
Net income from investment securities	(21.5)	5.7	1.4	-
Net income from financial instruments in accordance with IAS 39	(21)	13.5	-2.1	-
Result from investments accounted for at equity	(22)	4.0	7.3	-45.2
General administrative expenses	(23)	125.4	104.3	20.2
Net other operating income/expenses	(24)	5.8	-1.1	-
<b>Result from ordinary activities before tax (from continued operations)</b>		<b>97.0</b>	<b>50.8</b>	<b>90.9</b>
Income tax expense	(25)	-12.2	-1.6	-
<b>Result from ordinary activities after tax (from continued operations)</b>		<b>84.8</b>	<b>49.2</b>	<b>72.4</b>
Result from discontinued operations	(26)	3.7	7.7	-51.9
<b>Profit after tax</b>		<b>88.5</b>	<b>56.9</b>	<b>55.5</b>
Minority interest		1.5	-2.6	-
<b>Net profit <sup>1)</sup></b>		<b>90.0</b>	<b>54.3</b>	<b>65.7</b>
Profit carried forward from the previous years		0.7	0.7	0.0
Transfer to retained earnings		-78.2	-45.5	71.9
<b>Distributable profit</b>		<b>12.5</b>	<b>9.5</b>	<b>31.6</b>

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

## Earnings per share

	2006	2005	%
Net profit/loss (€ mn)	90.0	54.3	65.75
Average number of shares outstanding	3,911,461	3,113,634	25.62
Options outstanding at the balance sheet date	53,310	96,250	-44.61
<b>Basic earnings per share (€)</b>	<b>23.01</b>	<b>17.45</b>	<b>31.86</b>
<b>Diluted earnings per share (€)</b>	<b>22.93</b>	<b>17.28</b>	<b>32.70</b>

The outstanding options are exclusively held by DVB employees. There were no outstanding financial instruments with rights to conversion in the business years 2005 and 2006.

# Consolidated cash flow statement

€ mn	31 Dec 2006	31 Dec 2005
<b>1. Profit before tax</b>	<b>100.7</b>	<b>58.5</b>
Non-cash items included in the profit for the period and reconciliation to cash flow from operating activities		
2. +/- Depreciation, impairment and write-ups of loans and advances, property and equipment, and investment securities	10.1	10.3
3. +/- Increase/decrease in provisions	-47.8	87.9
4. Other non-cash income/expenses		
+/- Hedge accounting	-1.9	13.1
+/- Other changes from the fair value measurement of financial instruments	-27.5	-0.5
5. +/- Gains/losses on disposal of investment securities, and property and equipment	-11.1	-1.8
6. +/- Other adjustments (mainly relating to net interest income)	-154.6	-113.2
<b>7. = Subtotal</b>	<b>-132.1</b>	<b>54.3</b>
Changes in assets and liabilities from operating activities		
8. Loans and advances		
+/- to banks	279.7	121.5
+/- to customers	7.7	-1,794.2
9. +/- Other assets from operating activities	-376.1	-82.9
10. Deposits		
+/- from other banks	-361.3	231.3
+/- from customers	554.9	815.0
11. +/- Securitised liabilities	169.9	110.1
12. +/- Other liabilities from operating activities	-38.9	-6.4
13. +/- Interest and dividends received	696.5	560.2
14. - Interest paid	-541.8	-446.9
15. +/- Income taxes paid	-12.2	-1.6
<b>16. = Cash flow from operating activities</b>	<b>246.3</b>	<b>-439.6</b>
17. Cash proceeds from the disposal of investment securities	114.2	396.5
18. Cash payments for additions to property and equipment	-288.1	-141.6
19. +/- Net change resulting from other investing activities	-5.4	-1.0
<b>20. = Cash flow from investing activities</b>	<b>-179.3</b>	<b>253.9</b>
21. + Cash proceeds from additions to equity (capital increases, sale of treasury shares, etc.)	-0.1	112.5
22. - Cash payments to owners and minority shareholders (dividends)	-5.9	-5.9
23. - Net change resulting from other financing activities	53.1	27.1
<b>24. = Cash flow from financing activities</b>	<b>47.1</b>	<b>133.7</b>
25. = Net change in cash and cash equivalents (total of items 16, 20 and 24)	114.1	-52.0
26. +/- Effects of exchange rate differences, as well as effects resulting from changes in consolidated group and from re-measurement, on cash and cash equivalents	0.0	0.0
<b>27. = Cash and cash equivalents at beginning of period</b>	<b>48.9</b>	<b>100.9</b>
<b>28. = Cash and cash equivalents at end of period</b>	<b>163.0</b>	<b>48.9</b>

## Statement of recognised income and expense

€ mn	2006	2005
Net profit before minority interest	88.5	56.9
Income and expenses not recognised in the income statement	3.8	-14.7
thereof: from remeasurement of AfS financial instruments	-6.2	1.2
thereof: from cash flow hedges	5.1	-8.3
thereof: from currency translation	4.3	-5.0
thereof: from actuarial gains and losses	0.6	-2.6
<b>Total</b>	<b>92.3</b>	<b>42.3</b>

## Consolidated statement of changes in equity

€ mn	Subscribed capital	Capital reserve	Retained earnings
<b>IFRS equity as at 1 Jan 2005</b>	<b>77.3</b>	<b>109.4</b>	<b>251.6</b>
Changes of accounting policies			-4.5
<b>Adjusted IFRS equity as at 1 Jan 2005</b>	<b>77.3</b>	<b>109.4</b>	<b>247.1</b>
Net profit			
Transfer to retained earnings			45.6
Income and expenses not recognised in the income statement			-0.2
Capital increase	22.3	85.0	
Employee participation scheme		0.6	
Dividend payment			
Changes in treasury shares		4.5	
Changes in consolidated group and other changes			0.1
<b>IFRS equity as at 31 Dec 2005</b>	<b>99.6</b>	<b>199.5</b>	<b>292.7</b>
Net profit			
Transfer to retained earnings			78.2
Income and expenses not recognised in the income statement			-1.3
Capital increase			
Employee participation scheme		0.4	
Dividend payment			
Changes in treasury shares	-0.1	-0.4	
Changes in consolidated group and other changes			0.3
<b>IFRS equity as at 31 Dec 2006</b>	<b>99.5</b>	<b>199.4</b>	<b>369.9</b>

Revaluation reserve	Hedging reserve – cash flow hedges	Currency translation reserve	Distributable profit/accumulated loss	Equity before minority interests	Minority interests	Equity
<b>25.3</b>	<b>7.0</b>	<b>-0.6</b>	<b>6.6</b>	<b>476.6</b>	<b>1.6</b>	<b>478.2</b>
				-4.5		-4.5
<b>25.3</b>	<b>7.0</b>	<b>-0.6</b>	<b>6.6</b>	<b>472.1</b>	<b>1.6</b>	<b>473.7</b>
			54.3	54.3	2.6	56.9
			-45.6	0.0		0.0
1.2	-8.3	-7.4		-14.7		-14.7
				107.3		107.3
				0.6		0.6
			-5.9	-5.9		-5.9
				4.5		4.5
				0.1		0.1
<b>26.6</b>	<b>-1.4</b>	<b>-8.0</b>	<b>9.4</b>	<b>618.4</b>	<b>4.2</b>	<b>622.6</b>
			90.0	90.0	-1.5	88.5
			-78.2	0.0		0.0
-6.2	5.1	6.2		3.8		3.8
				0.0		0.0
				0.4		0.4
			-8.8	-8.8		-8.8
				-0.5		-0.5
		-1.1		-0.8	-0.4	-1.2
<b>20.4</b>	<b>3.7</b>	<b>-2.9</b>	<b>12.5</b>	<b>702.5</b>	<b>2.3</b>	<b>704.8</b>

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# Notes

## Basis of accounting

For the business year 2006, the Consolidated Financial Statements of DVB Bank AG were prepared in accordance with International Financial Reporting Standards (IFRS) and the additional requirements of German commercial law under section 315a (1) of the German Commercial Code (HGB), pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. IFRS encompasses the individual standards called IFRS, as well as the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

## Notes to the accounting policies applied

For the companies included in the IFRS consolidated financial statements, the following accounting policies were applied on a consistent and uniform basis.

### 1. General accounting principles

#### 1.1 IFRS provisions applied

The following standards and interpretations were complied with as published by the European Union in Official Journal:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards"
- IFRS 2 "Share-based Payments"
- IFRS 3 "Business Combinations"
- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"
  
- IAS 1 "Presentation of Financial Statements"
- IAS 7 "Cash Flow Statement"
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- IAS 10 "Events after the Balance Sheet Date"
- IAS 12 "Income Taxes"
- IAS 14 "Segment Reporting"
- IAS 16 "Property, Plant and Equipment"
- IAS 17 "Leases"
- IAS 18 "Revenue"
- IAS 19 "Employee Benefits"
- IAS 21 "The Effects of Changes in Foreign Exchange Rates"
- IAS 24 "Related Party Disclosures"
- IAS 27 "Consolidated and Separate Financial Statements"
- IAS 28 "Investments in Associates"
- IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions"
- IAS 31 "Interests in Joint Ventures"
- IAS 32 "Financial Instruments: Disclosure and Presentation"
- IAS 33 "Earnings per Share"

- IAS 36 "Impairment of Assets"
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
- IAS 38 "Intangible Assets"
- IAS 39 "Financial Instruments: Disclosure and Presentation"
- IAS 40 "Investment Property"
  
- SIC 7 "Introduction of the Euro"
- SIC 12 "Consolidation – Special Purpose Entities"
- SIC 15 "Operating Leases – Incentives"
- SIC 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets"
- SIC 25 "Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders"
- SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"
- SIC 29 "Disclosure – Service Concession Arrangements"
- SIC 32 "Intangible Assets – Web Site Costs"
  
- IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities"
- IFRIC 4 "Determining whether an arrangement contains a lease"

## 1.2 Accounting standards applied for the first time in the reporting period

### 1.2.1 Amendment to IAS 19 – Actuarial gains and losses

In the business year 2006, the amendment to IAS 19 (Employee Benefits), issued by the IASB in December 2004 and related to the accounting for actuarial gains and losses, was applied for the first time. Accordingly, companies may elect to recognise actuarial gains and losses from defined benefit pension obligations directly in equity in their full amount as incurred. This ensures that the carrying amount of pension obligations reported in the financial statements corresponds to their actual amount. The exercise of this option is subject to the consistency requirement as defined in IAS 8.

In the IFRS consolidated financial statements of DVB Bank AG for the business year 2005, the corridor approach was applied to account for actuarial gains and losses. Under this corridor approach, actuarial gains and losses had to be recognized in the income statement when they exceeded the greater of 10% of the present value of the total obligations or 10% of the fair value of plan assets. The actuarial gains or losses were distributed over the average remaining working life of the active employees, as from the relevant following business year.

In order to implement the new accounting method for actuarial gains and losses, the carrying amount of pension obligations as at 31 December 2005 (€15.9 million) was adjusted by €7.0 million to account for unrecognised gains and losses as at this balance sheet date, resulting in an adjusted carrying amount of €22.9 million. The prior-year figures presented for the business year 2005 were adjusted for comparative purposes.

The effects from the adjustment on periods not presented in the financial statements amount to €4.5 million. This amount was offset against the opening balance of retained earnings. The remaining amount results from the actuarial losses incurred during the business year 2005 of €2.5 million, and is reported in the statement of recognised income and expense. This did not have any effects on the profit for the business year 2005.

### **1.2.2 IFRIC 4 – Determining whether an arrangement contains a lease**

In the business year 2006, DVB applied IFRIC 4 (“Determining whether an arrangement contains a lease”) for the first time. Pursuant to IFRIC 4, certain types of service contracts have to be analysed to determine whether the right to use an asset (e.g. an item of property and equipment) is transferred by such contracts. This may be the case for outsourcing arrangements, arrangements on the use of network capacities or so-called take-or-pay contracts. If the requirements are met, the underlying arrangements have to be accounted for in whole or in part in accordance with IAS 17.

The first-time application of IFRIC 4 did not have any impact on the financial position and performance of the DVB Group.

### **1.2.3 Amendment to IAS 39 – Accounting for financial guarantee contracts**

In August 2005, the IASB issued an amendment to IAS 39 and IFRS 4 related to recognition and measurement of financial guarantee contracts. Until the business year 2005, financial guarantee contracts had not been included in the scope of IAS 39 if the guarantor assumed material direct risks of default.

The amendment to IAS 39 is designed to achieve inclusion of financial liabilities resulting from guarantee commitments in the guarantor’s financial statements. Pursuant to IAS 39, a financial guarantee contract exists when the guarantor is contractually obliged to compensate the guarantee in case of a default of a certain debtor.

The amendment to IAS 39 does not cover financial guarantee contracts where the default of a debtor is not a prerequisite for a compensation payment. As before, such contracts must be recognised and measured as derivative financial instruments in accordance with the provisions of IAS 39. Such contracts include, for example, credit derivatives which are subject to certain payments in case of rating changes.

A liability resulting from a financial guarantee contract is initially recognised in the guarantor’s financial statements at fair value, which generally corresponds to the present value of the consideration received for the guarantee. The liability is subsequently measured at the greater of a provision recorded in accordance with IAS 37 and the original amount, less any subsequently recognised amortisation.

DVB Bank AG applies the so-called net method for the presentation of financial guarantee contracts, with receivables from guarantee commissions to be paid by the guarantor to DVB Bank AG as the guarantor, offset against the resulting guarantee obligations.

Since the net method is applied, the change in the accounting method for financial guarantee contracts does not have any material impact in the IFRS consolidated financial statements as at 31 December 2006 on the balance sheet structure and the amount and the timing of the recognition of income and expenses.

### 1.3 Group of consolidated companies and consolidation methods

#### 1.3.1 Group of consolidated companies

The group of consolidated companies of DVB Bank AG comprises all significant subsidiaries which the Company directly or indirectly controls within the meaning of IAS 27. These companies currently include DVB Holding GmbH, Frankfurt/Main, DVB LogPay GmbH, Eschborn, DVB Holding (US) Inc., New York, Hangar Vermietungs- und Verpachtungs GmbH, Frankfurt/Main, International Transport Finance Ltd., London, DVB Bank N.V., Rotterdam, DVB Group Merchant Bank (Asia) Ltd., Singapore, DVB Bank America N.V., as well as these companies' subsidiaries. The DVB Bank AG's share in these subsidiaries' capital amounts to 100% each. Subsidiaries are initially consolidated on the date on which the Group acquires control over the subsidiary within the meaning of IAS 27; they are de-consolidated on the date on which the Group no longer exercises control over the subsidiary.

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

- Deucalion Ltd., Cayman Islands,
- Deucalion Capital I Ltd., Cayman Islands,
- Deucalion Capital II Ltd., Cayman Islands,
- Deucalion Capital IV Ltd., Cayman Islands,
- Deucalion Capital V Ltd., Marshall Islands,
- Deucalion Capital I (UK) Ltd., London,
- Deucalion Capital II (UK) Ltd., London,
- NFC Shipping Fund II LLC, Marshall Islands,
- NFC Shipping Fund III LLC, Marshall Islands,
- NFC Shipping Fund IV LLC, Marshall Islands,
- NFC Shipping Fund V LLC, Marshall Islands,
- NFC Shipping Fund A LLC, Marshall Islands (formerly NFC Underwriting Fund LLC, Marshall Islands),
- NFC Shipping Fund B LLC, Marshall Islands (formerly NFC Underwriting Fund II LLC, Marshall Islands).

Deucalion Capital III Ltd., Cayman Islands, is jointly controlled by DVB and another Group-external company. DVB does not own any equity interest in this jointly controlled company.

As at 31 December 2006, DVB Bank AG had the following equity interests in other companies:

€	Shareholding %	Net profit/loss	Equity
<b>I. Companies included in the consolidated financial statements</b>			
DVB Bank AG, Frankfurt/Main		–	–
DVB LogPay GmbH, Eschborn <sup>1)6)</sup>	100	2,045,202	2,000,000
DVB Holding GmbH, Frankfurt/Main	100	158,658	100,000
DVB Objektgesellschaft Geschäftsführungs GmbH, Frankfurt/Main	100	0	<sup>3)</sup>
DVB Objektgesellschaft mbH & Co. KG, Frankfurt/Main	100	0	<sup>3)</sup>
International Transport Finance Limited, London <sup>2)</sup>	100	–704,516	4,570,718
Ocean Clementine Ltd. Partnership, London	100		<sup>3)</sup>
Ocean Gwendolen Ltd. Partnership, London	100		<sup>3)</sup>
Hangar Vermietungs- u. Verpachtungs GmbH, Frankfurt/Main	100	–207,963	25,000
DVB Bank N.V., Rotterdam	100	113,930,553	223,396,187
Shipping Capital B.V., The Hague	100	449,256	5,860,004
Everhard Beleggingen B.V., Rotterdam	100	–353,312	–3,247,659
Infifion III B.V., The Hague	100	0	635,292
Nedship Participation (Norway B.), Rotterdam	100	169,944	529,883
Scheepvaart Maatschappij Peter B.V., Rotterdam	100	0	45,378
Infifion XI B.V., The Hague	100	0	24,056
Nedship Shipping B.V., Rotterdam	100	0	2,526,851
Nedship Scheepvaarthuis B.V., Rotterdam	100	–52,698	–219,145
Scheepvaart Maatschappij Ewout B.V., Rotterdam	100	0	16,452
Illios Tourist Houses Development Ltd., Piraeus	100	–60,000	0
Hollandse Scheepsbank Hypotheekbank N.V., Rotterdam	100	0	711,043
Nedship Financial Consultants E.P.E., Piraeus, Greece	100	62,004	–21,771
DVB Bank America N.V., Curaçao	100	44,803,523	116,493,651
Shipping Capital Antilles N.V., Curaçao	100	1,920,883	19,016,101
DVB Container Finance America LLC, Majuro	100		<sup>3)</sup>
Netherlands Shipmortgage Corporation Ltd., Hamilton	100		<sup>3)</sup>
AER Holdings N.V., Curaçao	100		<sup>3)</sup>

€

Shareholding  
%Net  
profit/loss

Equity

**I. Companies included in the consolidated financial statements  
(Continued)**

DVB Group Merchant Bank (Asia) Ltd., Singapore	100	13,013,339	120,017,839
DVB Container Finance Asia Pte. Ltd., Singapore	100		<sup>3)</sup>
DVB Aviation Finance Asia Pte. Ltd., Singapore	100		<sup>3)</sup>
DVB Holding (US) Inc., New York	100	-373,786	2,344,846
DVB Capital Markets LLC, New York	100		<sup>3)</sup>
DVB Transport (US) LLC, New York	100		<sup>3)</sup>

**II. Affiliated companies not included in the  
consolidated financial statements<sup>4)</sup>**

Balcraig S.A, St. Helier, Jersey	100.00	0	0
Euro Toll Service GmbH, Eschborn	75.10		<sup>3)</sup>
Aran Airfinance Ltd., Tokyo	100.00		<sup>3)</sup>
Aran Airfinance Ltd., Tokyo	100.00		<sup>3)</sup>
Gola Airfinance Ltd., Tokyo	100.00		<sup>3)</sup>
Rathin Airfinance Ltd., Tokyo	100.00		<sup>3)</sup>

**III. Associated companies not included in the  
consolidated financial statements<sup>4)</sup>**

DVL Deutsche Verkehrs-Leasing GmbH, Eschborn	39.00		<sup>3)</sup>
Leuvestein V.O.F, Rotterdam	33.33	0	0
West Supply III AS, Haugesund	22.22	-1,945	61,402
West Supply III KS, Haugesund	20.00	-16,387	517,185
Anna Elisabeth B.V., Veere	20.00	-215	17,570
Anna Gabriele B.V., Veere	20.00	-215	17,570
Anna Catharine B.V., Veere	20.00	-215	17,570
Anna Constance B.V., Veere	20.00	-215	17,570

€	Shareholding %	Net profit/loss	Equity
<b>IV. Equity investments</b>			
OOCL Shipping B.V, Rotterdam <sup>5)</sup>	37.50	1,885,110	24,872,437
MALC Lease Eleven B.V, Amstelveen <sup>5)</sup>	25.00	650,178	12,885,348
MALC Lease Twelve B.V, Amstelveen <sup>5)</sup>	25.00	766,830	14,734,787
MALC Lease Thirteen B.V, Amsterdam <sup>5)</sup>	25.00	613,645	12,155,557
<b>V. Investment securities</b>			
KRAVAG-HOLDING AG, Hamburg	10.00		3)
GVZ-Entwicklungsgesellschaft Trier mbH, Trier	5.00		3)
Liquiditäts-Konsortialbank GmbH, Frankfurt/Main	0.23		3)
Münchener Hypothekenbank eG, Munich	500 shares		3)
DG Verlag Deutscher Genossenschafts-Verlag eG, Wiesbaden	0.03		3)

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

### 1.3.2 Consolidation methods

Consolidation is based on IFRS 3 in connection with IAS 27 by offsetting the Company's share in net assets acquired (measured initially at fair value) and the cost of the business combination. Any excess of the cost of the business combination over the Group's share in net assets acquired is capitalised as goodwill and tested for impairment annually, or earlier if there are indications that an impairment might have occurred. Goodwill may not be amortised over its expected useful life, under IFRS. Any receivables and liabilities, as well as expenses and revenue occurring between Group companies, are eliminated. Intra-group profits are offset. Interests in subsidiaries that are not consolidated due to their minor significance are measured at cost and reported in investment securities since their fair value cannot be determined with reasonable reliability.

In accordance with IAS 31 and IAS 28, interests in joint ventures and investments in associates are generally included in the consolidated financial statements at the relevant share in equity (using the equity method).

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

## 1.4 Currency translation

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

Under IFRS, monetary assets and liabilities denominated in a foreign currency, as well as non-monetary items measured at fair value and denominated in a foreign currency, are translated at the spot exchange rate on the balance sheet date. Forward currency contracts are measured using the current forward rate. Any differences arising from the translation of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities measured at amortised cost are translated at the transaction rate.

## 1.5 Financial instruments in accordance with IAS 39

Financial instruments within the scope of IAS 39 must be allocated upon initial recognition to one of the measurement categories stipulated in IAS 39 according to their specific characteristics.

The following categories are used in the consolidated financial statements:

### 1.5.1 Financial assets at fair value through profit or loss

This category is divided into the two sub-categories "Financial assets held for trading" and "Financial assets designated as at fair value through profit or loss".

#### 1.5.1.1 Financial assets held for trading

All non-derivative assets acquired primarily for the purpose of short-term resale are irrevocably allocated to this category upon initial recognition. In addition, all derivative financial instruments with positive fair values that are not part of a designated and effective hedging relationship are also classified as "held for trading". Changes in the fair value occurring between two balance sheet dates are recognised in net trading income.

### **1.5.1.2 Financial assets designated as at fair value through profit or loss**

In line with the fair value option, as modified by the IASB in 2005, all financial assets whose measurement would otherwise result in accounting mismatches and that are measured at fair value, or which include an embedded derivative which would be required to be separated, may be allocated to this category. In the consolidated financial statements, this category was exclusively used to avoid accounting mismatches resulting from interest rate risks and to avoid hedge accounting. Changes in the fair value of "Financial assets designated as at fair value through profit or loss" occurring between two balance sheet dates are recognised in "Result from the application of the fair value option". Financial assets designated as at fair value through profit or loss are reported in the balance sheet item to which they would have been allocated if the fair value option had not been applied.

### **1.5.2 Held-to-maturity investments**

The category "Held-to-maturity investments" is currently not used by the DVB Bank Group.

### **1.5.3 Loans and receivables**

Generally, all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market should be allocated to the category "Loans and receivables". At the DVB Bank Group, the category "Loans and receivables" includes loans extended to debtors and receivables acquired on the secondary market. Items of this category are measured at amortised cost using the effective interest method. Accordingly, premiums and discounts are amortised over the term of the assets. Commitment fees received are recognised as deferred liabilities until disbursement of the loans, and subsequently amortised by analogy with premiums and discounts. Amortised premiums, discounts and commitment fees are recognised in net interest income.

### **1.5.4 Financial assets available for sale**

All financial assets that cannot be allocated to one of the above-mentioned financial asset categories have to be classified as "Available-for-sale financial assets". They are measured at fair value. Changes in the fair value occurring between two balance sheet dates have to be recognised in a revaluation reserve directly in equity until the relevant assets are realised. To the extent that a negative revaluation reserve exists as at the balance sheet date, it has to be examined within the scope of an impairment test whether the impairment is of a permanent nature. In this case, the accumulated negative revaluation reserve is de-recognised and transferred to the income statement.

## 1.5.5 Financial liabilities at fair value through profit or loss

This category is divided into the two sub-categories "Financial liabilities held for trading" and "Financial liabilities designated as at fair value through profit or loss".

### 1.5.5.1 Financial liabilities held for trading

All non-derivative liabilities entered into primarily for the purpose of discharging them through short-term repurchase are irrevocably allocated to this category upon initial recognition. In addition, all derivative financial instruments with negative fair values that are not part of a designated and effective hedging relationship are also classified as "held for trading". Changes in the fair value occurring between two balance sheet dates are recognised in net trading income.

### 1.5.5.2 Financial liabilities designated as at fair value through profit or loss

In line with the fair value option, as modified by the IASB in 2005, all financial liabilities whose measurement would otherwise result in accounting mismatches and that are measured at fair value, or which include an embedded derivative which would be required to be separated, may be allocated to this category. In the consolidated financial statements, this category was exclusively used to eliminate accounting mismatches resulting from interest rate risks and to avoid hedge accounting. Changes in the fair value of "Financial liabilities designated as at fair value through profit or loss" occurring between two balance sheet dates are recognised in "Result from the application of the fair value option". Financial liabilities designated as at fair value through profit or loss are reported in the balance sheet item to which they would have been allocated, had the fair value option not been applied.

## 1.5.6 Other liabilities

All financial liabilities within the scope of IAS 39 that cannot be allocated to one of the above-mentioned financial liability categories have to be classified as "Other liabilities".

## 1.5.7 Recognition and de-recognition of financial instruments

Derivative financial instruments are recognised on the trade date. Non-derivative financial instruments are recognised on the settlement date. Changes in the fair value occurring between the trade date and the settlement date are recognised in accordance with the classification of the financial instruments.

Financial assets and financial liabilities are de-recognised when there are no longer any rights to receive payments in future, or when such rights have been transferred to third parties and the DVB Bank Group does not retain any substantial risks and rewards with regard to the financial assets and financial liabilities.

### **1.5.8 Impairment and reversals of impairment losses of financial instruments**

If there was objective evidence for an impairment of financial assets on the balance sheet date, an impairment test was performed in accordance with the provisions set out in IAS 39. For financial instruments of the category "Loans and receivables", the carrying amount as at the balance sheet date is compared with the present value of expected future cash flows. In accordance with IAS 39, the original effective interest rate of the corresponding asset has to be used as the discount rate. The original effective interest rate is the rate that exactly discounts originally estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the carrying amount of the financial asset or financial liability.

If individual financial instruments are insignificant when considered separately, or if no impairment as at the balance sheet date could be determined on an individual basis, such assets are tested for impairment on a portfolio basis together with other similarly insignificant assets or assets not individually subject to impairment.

For financial instruments of the category "Available-for-sale financial assets", which are measured at fair value, it has to be examined whether there is objective evidence for impairment in the case of a cumulative negative revaluation reserve. In this case, the negative revaluation reserve for the financial instrument concerned must be fully de-recognised from equity, and recognised in profit or loss.

If it is established during an impairment test that the reasons for an impairment previously recognised in profit or loss no longer exist, the relevant impairment loss is reversed. For assets measured at amortised cost, this reversal is limited to such amortised cost which would have resulted had no impairment occurred. Reversals of impairment losses for equity instruments are not permitted.

### **1.6 Embedded derivatives**

In accordance with IAS 39, derivative financial instruments embedded in non-derivative financial instruments (embedded derivatives) have to be separated from the host contract and accounted for and measured separately, when their economic characteristics and risks are not closely related with the economic characteristics and risks of the host contract, a separate instrument with the same terms would meet the definition of a derivative, and the entire instrument is not measured at fair value through profit or loss. If the requirements for the separation of the embedded derivative are not met, the embedded derivative may not be separated from the host contract. At the DVB Bank Group, there are currently no embedded derivatives which are required to be separated.

## 1.7 Hedge accounting

Within the framework of its risk management strategy, the DVB Bank Group enters into various derivatives for the purpose of hedging against interest rate and foreign currency risks. IAS 39 contains specific regulations to report these economic hedging relationships in financial statements. The aim of these provisions is to eliminate accounting mismatches between the hedged items and the hedging derivatives used. In accordance with IAS 39, there are three different types of hedging relationships: fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. The designation of these hedging relationships depends on meeting the strict requirements defined in IAS 39.

### 1.7.1 Fair value hedge

The purpose of fair value hedges is to offset changes in the fair value of the hedged item by opposite changes in the fair value of the hedging instrument.

This means that the changes in the fair value of the hedged item attributable to the hedged item, as well as the opposite changes in the fair value of the hedging instrument, are recognised in profit or loss. Hedged items of the category "Loans and receivables" are measured at amortised cost in line with the general measurement principles of this category. The amortised cost is adjusted subsequently by the fair value change attributable to the hedged risk. Hedged items of the category "Available-for-sale financial instruments" are measured at fair value. Only the fair value changes that deviate from the amount of the hedged change in the market value are recognised directly in equity in the revaluation reserve.

In the case of fully effective hedging relationships, the fair value changes recognised in the profit or loss statement offset each other completely during the term of the hedging relationship. The changes in the fair value recognised in the carrying amount of the hedged items have to be amortised through profit or loss until not later than the termination of the hedging relationship. To the extent that the hedging relationship is terminated by means of selling the hedged item, the cumulative results from remeasurement attributable to the hedged risk are recognised in profit or loss.

DVB designates hedging relationships in order to hedge the fair value of fixed-rate loans and advances to customers, fixed-income securities, fixed-rate liabilities from refinancing activities as well as foreign currency risks related to financial assets and liabilities. Interest expenses and interest income from hedged items, as well as from the hedging instruments, are recognised in net interest income.

### **1.7.2 Cash flow hedge**

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

Within the scope of accounting for cash flow hedges, the hedging instruments are measured at fair value. Changes in the fair value attributable to the effective portion of the hedging relationship have to be recognised directly in equity in the hedging reserve for cash flow hedges. Changes in the fair value attributable to the ineffective portion of the hedging relationship have to be recognised in net trading income. Changes in the fair value or the cash flows of the hedged items have to be recognised in accordance with the general principles of the relevant measurement category. After the termination of a cash flow hedge relationship, the changes in value that have been previously recognised directly in equity will be recognised in profit or loss simultaneously when the previously hedged items are recognised in profit or loss.

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

### **1.7.3 Effectiveness test**

Within the scope of the prospective effectiveness test required under IAS 39, a sensitivity analysis is performed on the basis of the so-called basis point value method. The test of retrospective effectiveness is performed using the dollar-offset method. Under this method, the cumulative changes in the fair value of the hedged items attributable to the hedged risk are compared with the changes in the fair value of the hedging instruments. If the changes in the fair values of the hedging instruments and the hedged items compensate each other within the range of 80% to 125%, as defined in IAS 39, the hedging relationship is regarded as effective.

## **1.8 Accounting estimates**

The presentation of the financial position and performance in the consolidated financial statements depends on recognition and measurement methods, as well as assumptions and estimates which are used as the basis for the preparation of consolidated financial statements. If recognition and measurement under IAS/IFRS required the use of assumptions and estimates, these were made in accordance with the relevant standards.

The following critical assumptions and estimates, as well as uncertainties inherent in the accounting policies, are essential to understand the underlying financial reporting risks and the effects that these estimates, assumptions and uncertainties may have on the consolidated financial statements. They are based on historical experience, other factors such as projections as well as expectations and forecasts of future events considered likely in view of the current circumstances.

### 1.8.1 Property and equipment, and intangible assets

The accounting for items of property and equipment, as well as for intangible assets, involves the use of estimates for determining the fair value at the acquisition date, especially in the case of assets acquired in a business combination. In addition, the expected useful life of these assets has to be estimated. The determination of the fair values of assets and liabilities is based on management judgments, which were made using all existing information in accordance with the standards.

Determining impairments of items of property and equipment, and of intangible assets, also requires estimates to be made which relate, among other things, to reason, timing and amount of the impairment. The identification of impairment indicators, the estimation of future cash flows and the determination of fair values for assets (or groups of assets) requires the management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, relevant useful lives and residual values.

Impairment is based on a number of factors. We typically consider changes in current competitive conditions, expectations of growth, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs and other changes in circumstances that indicate the existence of an impairment. The recoverable amount and the fair values are typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions.

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

Uncertainties related to the evaluation of risks in the lending business result, in terms of amount and reason, from assumptions and estimates made by decision-makers. Assumptions and estimates made relate, among other things, to the current and future macroeconomic development as well as the financial performance of individual borrowers. Assumptions and estimates also relate to the historical and current development of the proceeds from the realisation of collateral, assumed realisation periods, as well as final credit default losses, taking into account the structure and quality of the bank's loan portfolios.

### **1.8.3 Provisions and contingent liabilities**

Provisions are recognised if the Group has a present obligation from a past event which is likely to result in an outflow of economic resources that can be reliably estimated. This present obligation is a liability of uncertain timing and amount. The amount of provisions is determined on the basis of the best estimate. Non-current provisions are subject to discounting.

Recognition and measurement of provisions and the amount of contingent liabilities related to pending litigation involve, to a considerable extent, judgments made by the Group. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. We record provisions for liabilities when a loss contingency is considered to exist, and when a loss is considered probable and can be reasonably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated amount of the provision. Significant estimates are also involved in the determination of provisions related to taxes and legal risks.

The measurement of pension provisions is based on the projected unit credit method for defined benefit plans, as defined in IAS 19. The measurement of the benefit obligation is based on various estimates and assumptions, in particular assumptions with regard to the long-term salary and pension trend as well as the average life expectancy. The assumptions related to salary and pension trends rely on the development observed in the past, and take into account labour market trends. The bases for the estimate of the average life expectancy are recognised biometric calculation parameters (mortality tables by Prof. Dr. Klaus Heubeck).

The interest rate used to discount the future payment obligations is the market rate for risk-free, long-term deposits with a similar term. The expected long-term performance of the current plan assets is determined depending on the fund structure, taking historical experience into account.

### **1.8.4 Non-current assets held for sale**

These assets are measured at the lower of carrying amount and fair value, less selling costs, and are classified as “non-current assets held for sale”. Such assets are no longer subject to amortisation. In general, impairments are recognised only when the fair value less selling costs is below the carrying amount. In case of a subsequent increase in the fair value less selling costs, the impairment loss previously recognised has to be reversed. The reversal of impairment losses is restricted to the impairment losses previously recognised for the assets concerned.

## 2. Cash and balances with the central bank

This item includes cash on hand and the balances held at the central bank.

## 3. Loans and advances to banks and customers; allowance for losses on loans and advances

Loans and advances to customers and banks mainly include advances and loans extended to customers and banks, as well as money market assets. Loans and advances are generally measured at amortised cost. Individual loans and advances to customers are measured at fair value under the fair value option. Changes in the fair value are reported in the result from the application of the fair value option. If the loans and advances were designated as hedged items in effective fair value hedges, the carrying amount includes fair value changes attributable to the hedged risk.

The allowances for losses on loans and advances were determined in accordance with the provisions of IAS 39. The allowances are calculated by estimating the amount and the time of expected future cash flows from loans and advances, taking into account proceeds from the realisation of collateral, and by discounting them with the individual original effective interest rate of the loan or advance concerned. If the present value of the expected future cash flows so determined is less than the carrying amount, an addition to valuation allowances is recorded. If the present value exceeds the carrying amount as at the balance sheet date, and if a valuation allowance was recognised in previous business years, the carrying amount is increased correspondingly by means of a write-up, not exceeding amortised cost. If loans and advances have not been reviewed for impairment on an individual basis, a portfolio-based valuation allowance (portfolio impairment) is recognised on the basis of historical experience.

## 4. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading mainly include interest and currency derivatives with positive and negative fair values which are not used as hedging derivatives under hedge accounting. Financial assets and liabilities held for trading are measured at fair value. Changes in the fair value are recognised in net trading income.

If a quoted market price was available for derivative financial instruments listed in an active market, such market price was used as the basis for the determination of the fair value. For derivative financial instruments not quoted in an active market, the fair value is determined by means of generally accepted measurement methods. Financial instruments without option characteristics were exclusively measured in accordance with the so-called discounted cash flow (DCF) method. Under the DCF method, the expected future cash flows are discounted using the market interest rate applicable at the measurement date. Derivative financial instruments with option characteristics are measured on the basis of the Black-Scholes model.

## 5. Investment securities

Investment securities include bonds and other fixed-income securities, equities and other non-fixed-income securities, as well as shares in unconsolidated affiliated companies and investments not accounted for at equity.

Investment securities are measured in accordance with the relevant measurement category. Investment securities of the category "Available-for-sale financial assets" are measured at fair value, which is determined for financial instruments that are quoted in an active market on the basis of quoted market prices. If such a quoted market price is not available, the instruments are measured using measurement methods, such as the discounted cash flow method. Fair value changes of instruments included in this category are generally recognised directly in equity in the revaluation reserve. If the fair value of individual investment securities cannot be determined, they are measured at cost.

Investment securities of the category "Loans and receivables" are measured at amortised cost.

## 6. Investments accounted for at equity

Investments in associates and interests in joint ventures are recognised in the consolidated balance sheet at cost when the significant influence arises, or upon formation. In subsequent years, the carrying amount is adjusted by taking into account the pro-rata changes in equity of the company concerned. The pro-rata share in net profit of the company concerned is recognised in the income statement in the result from investments accounted for at equity.

If there are indications of an impairment of the interests held in a company accounted for at equity, an impairment test is performed and, if necessary, the carrying amount of the interests is written down. Impairment losses are reversed if the underlying reasons for an impairment loss cease to exist, up to the amount of the original carrying amount. Impairment losses and reversals of impairment losses are recognised in the income statement item "Result from investments accounted for at equity".

In the business year under review, the interests held in companies accounted for at equity are reported separately in the balance sheet for the first time. The prior-year figures were adjusted accordingly.

## 7. Intangible assets

Intangible assets mainly comprise goodwill. In addition, purchased and internally generated intangible assets are capitalised if the recognition criteria set out in IAS 38 are met. In accordance with IFRS 3 in connection with IAS 38, goodwill is not subject to amortisation, but is tested for impairment at least annually pursuant to IAS 36. Other intangible assets are amortised on a straight-line basis over the expected economic life, which ranges from three to eight years.

## 8. Property and equipment

Property and equipment includes land and buildings, leasehold improvements as well as operating and office equipment. These assets are measured at cost less any accumulated depreciation and any accumulated impairment losses, according to the cost model mentioned in IAS 16. The useful lives of items of property and equipment are as follows:

Asset category	Useful life	Depreciation method
Land and buildings	50 years	straight-line depreciation
Operating and office equipment	5–25 years	straight-line depreciation
Leased assets	7–25 years	straight-line depreciation
Leasehold improvements	10 years	straight-line depreciation

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

Property and equipment where individual material parts have a useful life which differs from that of the entire asset, and therefore have to be depreciated on an individual basis, were not held by the DVB Bank Group during the business year or at the balance sheet date.

### 8.1 Leasing

In accordance with IAS 17, a lease is classified as an operating lease if it does not transfer to the lessee substantially all the risks and rewards incidental to ownership. In contrast, leases are classified as finance leases if it transfers substantially all risks and rewards to the lessee.

### **8.1.1 The Group as lessor**

If beneficial ownership to the leased asset remains with the Group company, then the leases can be regarded as an operating lease. The leased assets are carried at cost less any depreciation accumulated over the useful life. If there is a guaranteed residual value for the leased asset at the end of the lease term, the asset is depreciated on a straight-line basis over the term of the lease down to the guaranteed residual value.

Revenue generated from leases is recognised on a straight-line basis over the lease term and reported in net interest income unless another amortisation procedure is appropriate.

If almost all risks and rewards incidental to ownership of the leased asset are transferred to the lessee (finance lease), the DVB Bank Group recognises a receivable due from the lessee. This receivable is measured at the amount of the net investment in the lease at the time the lease is concluded. Received lease payments are divided into an interest element, which is recognised in profit or loss, and a capital portion. Income is recognised on an accrual basis as interest income.

### **8.1.2 The Group as lessee**

The lease payments under operating leases are recognised in general administrative expenses. The expense is determined by analogy with a lease payment on a systematic basis which is representative of the time pattern of the user's benefit. During the business year 2006, there were no contractual arrangements to be classified as finance leases.

## **8.2 Impairment of intangible assets, and property and equipment, and reversals of impairment losses**

Intangible assets, and property and equipment, are tested for impairment at least annually. Opinions prepared by external experts are predominantly used as a basis to determine the value of property and equipment. If the recoverable amount determined on this basis has fallen below amortised cost, or below cost less any accumulated depreciation and any accumulated impairment losses, as the case may be, as at the balance sheet date, a write-down for impairment is made.

If it is established during an impairment test that the reasons for an impairment previously recognised in profit or loss no longer exists, the relevant impairment loss is reversed, except if goodwill is concerned.

## **9. Non-current assets held for sale**

In accordance with IFRS 5, non-current assets have to be classified as held for sale when their realisation is expected to result primarily from a planned disposal rather than the continued use of such assets.

Non-current assets held for sale (disposal groups) are recognised at the lower of the carrying amount and the fair value less selling costs, as long as they are within the scope of IFRS 5.

If a disposal group contains a component of an operation that has been discontinued or is classified as held for sale, this component is considered a discontinued operation in the following cases. The component of an entity

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

In December 2006, the Board of Managing Directors of DVB Bank AG decided to discontinue the financing business in the Transport Infrastructure segment and to sell the loan portfolio in a volume of approximately €0.67 billion. The planned sale has to be accounted for as a discontinued operation, in accordance with IFRS 5.

The results generated from this operation during the year under review are reported in a separate item in the income statement. The prior-year figures of the income statement were adjusted under the assumption that the discontinued operation had been classified as such already in the prior period.

The portfolio to be sold comprises loans and advances, bearer bonds and derivative financial instruments within the scope of IAS 39, meaning that the measurement provisions of IFRS 5 were applied exclusively to the entire discontinued operation. As at 31 December 2006, no impairment loss had to be recognised, since the portfolio's fair value on that date – determined on the basis of valuation opinions – was higher than its carrying amount.

## 10. Current and deferred taxes

Current and deferred taxes are accounted for pursuant to the provisions of IAS 12 "Income Taxes". Accordingly, deferred taxes have to be recognised for differences in the carrying amounts of assets and liabilities in the IFRS balance sheet and the tax accounts, to the extent that such differences will reverse in future. Deferred tax assets on tax loss carryforwards are recognised when the timing and the amount of their recoverability in the future can be reliably determined.

## 11. Deposits from customers and other banks

Deposits from customers mainly comprise customer deposits and promissory note loans held by customers. The item "Deposits from other banks" includes borrowings from other banks, money market placements as well as promissory note loans held by banks.

The deposits are predominantly measured at amortised cost on the basis of the original effective interest rate. Individual deposits from customers and other banks are measured at fair value under the fair value option in order to eliminate accounting mismatches. Changes in the fair value are reported in the result from the application of the fair value option.

## **12. Securitised liabilities**

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

## **13. Provisions**

This item includes defined benefit pension obligations, provisions for early retirement, partial retirement and jubilee payments, as well as other provisions. The defined benefit obligations are measured in accordance with IAS 19, taking into account expected salary and pension increases using the projected unit credit method. Actuarial gains and losses are recognised directly in equity in their full amount as from the business year 2006 (see section 1.2.1).

The other provisions are measured in accordance with IAS 37, using the best estimate of the expected future expenses required to settle the obligation.

## **14. Subordinated liabilities**

The item "Subordinated liabilities" includes subordinated loans from banks, subordinated bearer bonds and profit-participation rights issued by DVB Bank AG as well as silent partnership contributions. The items are predominantly measured at amortised cost using the effective interest method. Certain subordinated financial instruments are measured at fair value through profit or loss under the fair value option in order to eliminate accounting mismatches.

## **15. Equity**

Equity represents the residual interest in the assets of a company after deducting all of its liabilities. At the DVB Bank Group, it comprises subscribed capital, capital reserve and retained earnings as well as specific reserves resulting from the application of IAS 39 in order to temporarily recognise certain gains or losses from re-measurement. This mainly includes the revaluation reserve for available-for-sale financial instruments as well as the hedging reserve for cash flow hedges. The individual components of the treasury shares held by DVB Bank AG are deducted from equity using the so-called "par value method". Gains and losses arising from transactions with treasury shares are recognised directly in equity.

## 16. Trust activities

Trust activities performed by the Group on its own behalf, but for the account of third parties, are not recognised in the balance sheet since the IFRS/IAS recognition criteria are not met.

## 17. Employee participation schemes

Within the scope of employee participation schemes, employees of the DVB Bank Group had the possibility – during the business years 2000-2004 – to acquire shares of DVB Bank AG at a preferred price (employee shares) subject to certain requirements. Each employee was entitled to acquire up to 50 shares at a discount of 20%. The date for the calculation of the purchase price to be paid for the employee share, which was available for purchase for the last time during the 2004 business year, was 11 March 2004. This calculation resulted in a preferential price of €79.20 per share.

In addition to employee shares, staff was granted bonus stock options subject to certain requirements. The group of eligible persons included the members of the Board of Managing Directors, employees of the DVB Bank Group, as well as the members of the management and employees of domestic and foreign subsidiaries which were, at that date, currently and permanently employed at DVB. The DVB Bank Group granted stock options to persons belonging to this group, without payment of a consideration, to an extent determined by the Board of Managing Directors or – if the Board of Managing Directors itself was concerned – by the Supervisory Board. The granting of stock options in the business year 2004 required the previous acquisition of a defined number of shares in the Company (own investment). The exercise of options granted in 2003 (2004) is possible during the business year 2006 (2007) within a pre-determined period of time after the Annual General Meeting, if, at the same time, a defined minimum return on equity for the business year preceding the exercise of the stock options (reference year) was achieved.

The employee participation schemes are generally accounted for in accordance with the provisions set out in IFRS 2, except for employee shares and stock options acquired or granted before 7 November 2002, which will not be adjusted retrospectively to comply with the provisions contained in IFRS 2. Stock options are measured on the basis of the Black-Scholes model. A volatility of the share price of 20.15%, determined using the one-year average price of the DVB Bank AG share, was used as the basis. The exercise price of the stock options granted in the business year 2003 amounts to €81.60 (2004: €80.58).

## Notes to the consolidated profit and loss statement

### 18. Net interest income

Net interest income can be broken down as follows in the year under review:

€ mn	2006	2005	%
Interest income from			
lending and money market transactions	583.6	481.6	21.2
bonds and other fixed-income securities	6.5	11.9	-45.4
operating leases	57.4	42.1	36.3
current income from finance leases	21.7	0.0	-
Current income from			
equities and other non-fixed-income securities	2.2	2.0	10.0
equity investments and other investment securities	9.0	10.9	-17.4
<b>Total interest income</b>	<b>680.4</b>	<b>548.5</b>	<b>24.1</b>
Interest expenses for			
deposits	352.3	316.6	11.3
securitised liabilities	113.8	74.5	52.8
subordinated liabilities	32.5	29.2	11.3
operating leases	27.1	19.5	39.0
<b>Total interest expenses</b>	<b>525.7</b>	<b>439.8</b>	<b>19.5</b>
<b>Total net interest income</b>	<b>154.7</b>	<b>108.7</b>	<b>42.3</b>

The transfer of the hedging reserve for cash flow hedges to the profit and loss statement due to the receipt of hedged interest payments denominated in US-dollar resulted in an expense of €0.5 million, which is reported in the item "Interest income from lending and money market transactions". This compares with a correspondingly higher interest income from US-dollar loans.

## 19. Impairment losses on loans and advances

The impairment losses on loans and advances changed as follows:

€ mn	2006	2005	%
Additions	35.7	32.2	10.9
Reversals	12.6	17.1	-26.3
Direct write-offs	1.0	0.7	42.9
Recoveries on loans and advances previously written off	0.3	0.9	-66.7
<b>Total</b>	<b>23.8</b>	<b>14.9</b>	<b>59.7</b>

## 20. Net fee and commission income

Net fee and commission income can be broken down as follows in the year under review:

€ mn	2006	2005	%
Fee and commission income from			
payment transactions	0.7	0.7	0.0
guarantees and indemnities	1.4	1.6	-12.5
lending business	58.3	51.4	13.4
Other fee and commission income	14.0	9.4	48.9
<b>Total fee and commission income</b>	<b>74.4</b>	<b>63.1</b>	<b>17.9</b>
Fee and commission expenses from			
the securities business	0.0	0.8	-100.0
payment transactions	0.2	0.2	0.0
guarantees and indemnities	1.3	1.7	-23.5
the lending business	2.6	0.6	-
Other fee and commission expenses	2.1	2.6	-19.2
<b>Total fee and commission expenses</b>	<b>6.2</b>	<b>5.9</b>	<b>5.1</b>
<b>Total net fee and commission income</b>	<b>68.2</b>	<b>57.2</b>	<b>19.2</b>

To the extent that interest for irrevocable loan commitments was received, such interest is deferred on the liability side over the term of the loan commitment and recognised as interest income over the term of the underlying loan, using the effective interest method. Interest on commitments for roll-over loans with interest rates fixed over a short period of time is recognised at the date of payment, and shown as fee and commission income from lending business.

## 21. Net income from financial instruments in accordance with IAS 39

In the business year 2006, for the first time, net income from financial instruments in accordance with IAS 39 is divided into net trading income, the hedge result, the result from the application of the fair value option, the result from derivatives entered into without intention to trade and net income from investment securities. This change is intended to adjust the presentation of results in the IFRS income statement to the business management view of the DVB Bank Group and increase transparency. The prior-year figures were adjusted accordingly.

€ mn	2006	2005	%
Net trading income	-1.3	23.2	-
Hedge result	-1.7	-23.0	-92.6
Result from the application of the fair value option	1.7	-6.6	-
Result from derivatives entered into with no intention to trade	9.1	2.9	-
Net income from investment securities	5.7	1.4	-
<b>Net income from financial instruments in accordance with IAS 39</b>	<b>13.5</b>	<b>-2.1</b>	<b>-</b>

### 21.1 Net trading income

In the business year 2006, for the first time, net trading income comprises only results from transactions in the trading book within the meaning of section 1 of the German Banking Act (Kreditwesengesetz, KWG).

€ mn	2006	2005	%
Net trading income from			
Derivatives	-3.6	6.8	-
Foreign currency transactions	0.5	16.8	-97.0
Interest and dividend payments	1.8	-0.4	-
<b>Total</b>	<b>-1.3</b>	<b>23.2</b>	<b>-</b>

A result from re-measurement reported in net trading income amounting to €–0.2 million (adjusted prior year figure: €–0.5 million) was determined on the basis of measurement models.

## 21.2 Hedge result (hedge accounting)

The hedge result can be broken down as follows in the year under review:

€ mn	2006	2005	%
Result from re-measurement			
Result from derivatives	–155.4	23.6	–
Result from hedged items	153.7	–36.7	–
<b>Result from re-measurement</b>	<b>–1.7</b>	<b>–13.1</b>	<b>–</b>
Realised result	0.0	–9.9	–100.0
<b>Total</b>	<b>–1.7</b>	<b>–23.0</b>	<b>–92.6</b>

The realised result is mainly a consequence from the realisation of the difference between the repayment amount and the result from re-measurement of hedged items which was not amortised as at the date of repayment.

Changes in the fair value of hedging instruments used in cash flow hedges were recognised directly in equity, to the extent that such changes relate to the effective portion of the hedging relationship, or in the profit or loss statement in net trading income, to the extent that such changes relate to the ineffective portion of the hedge.

The entire result from re-measurement of hedging relationships, amounting to €–1.7 million (prior year: €–23.0 million), was determined on the basis of measurement models.

## 21.3 Result from the application of the fair value option

The result from the application of the fair value option includes changes in the fair value of those non-derivative financial instruments that have to be accounted for and measured at fair value through profit or loss due to the exercise of the underlying option. To the extent that these non-derivative financial instruments are not part of an economic hedging relationship with derivative financial instruments, the gains or losses from re-measurement of the derivative financial instruments are also included in this item.

€ mn	2006	2005	%
Items designated as at fair value through profit or loss			
Loans and advances	8.9	-0.1	-
Securitised liabilities and subordinated loans	0.5	2.9	-82.8
Economic hedging derivatives	-7.7	-9.4	-18.1
<b>Total</b>	<b>1.7</b>	<b>-6.6</b>	<b>-</b>

The entire result from re-measurement from the application of the fair value option, amounting to €1.7 million (adjusted prior-year figure: €-6.6 million), was determined on the basis of measurement models.

#### 21.4 Result from derivatives entered into without intention to trade

The result from derivatives entered into without intention to trade includes results from re-measurement of economic hedging derivatives which are not part of an effective hedging relationship with regard to transactions in the banking book in accordance with IAS 39.

€ mn	2006	2005	%
Interest-rate derivatives	9.1	2.9	-
<b>Total</b>	<b>9.1</b>	<b>2.9</b>	<b>-</b>

The entire result from re-measurement of derivatives entered into without intention to trade, amounting to €9.1 million (adjusted prior-year figure: €2.9 million), was determined on the basis of measurement models.

## 21.5 Net income from investment securities

Net income from investment securities can be broken down as follows in the year under review:

€ mn	2006	2005	%
Result from			
investment securities measured at amortised cost	1.0	0.4	–
investment securities available for sale	9.5	–0.4	–
Equity investments	–4.8	1.4	–
<b>Total</b>	<b>5.7</b>	<b>1.4</b>	<b>–</b>

Net income from investment securities for the business year 2006, as well as for the prior year, does not include results from re-measurement arising from the application of measurement models.

## 22. Result from investments accounted for at equity

The result from investments accounted for at equity can be broken down as follows in the year under review:

€ mn	2006	2005	%
Result from investments accounted for at equity			
Interests in joint ventures	4.5	7.2	–37.5
Investments in associates	–0.5	0.1	–
<b>Total</b>	<b>4.0</b>	<b>7.3</b>	<b>–45.2</b>

## 23. General administrative expenses

General administrative expenses were as follows in the year under review:

€ mn	2006	2005	%
Staff expenses			
Wages and salaries	58.8	45.8	28.4
Social security contributions	5.0	4.4	13.6
Expenses for pensions and other employee benefits	7.6	5.1	49.0
<b>Total staff expenses</b>	<b>71.4</b>	<b>55.3</b>	<b>29.1</b>
Non-staff expenses			
Expenses for hired workers	1.1	0.9	22.2
Contributions and fees	5.7	6.6	-13.6
Legal and auditing fees	5.7	5.8	-1.7
Other advisory services (incl. IT advisory)	9.4	8.1	16.0
IT costs	1.2	1.5	-20.0
Occupancy expenses	8.5	7.9	7.6
Procurement of information	2.4	2.5	-4.0
Public relations	0.2	0.3	-33.3
Ancillary labour costs	9.1	8.2	11.0
Other non-staff expenses	4.3	3.1	38.7
<b>Total non-staff expenses</b>	<b>47.6</b>	<b>44.9</b>	<b>6.0</b>
Depreciation, amortisation, impairment and write-ups			
Property and equipment, and investment property	3.4	2.7	25.9
Intangible assets	3.0	1.4	-
<b>Total depreciation, amortisation, impairment and write-ups</b>	<b>6.4</b>	<b>4.1</b>	<b>56.1</b>
<b>Total general administrative expenses</b>	<b>125.4</b>	<b>104.3</b>	<b>20.2</b>

Legal and auditing fees include fees for auditors in the amount of €1.3 million (prior year: €1.4 million). These fees are comprised of the following individual items:

€ mn	2006	2005	%
Auditing fees	1.0	1.1	-9.1
Other audit and valuation services	0.1	0.2	-50.0
Tax advisory services	0.1	0.0	-
Other services	0.1	0.1	0.0
<b>Total fees for auditors</b>	<b>1.3</b>	<b>1.4</b>	<b>-7.1</b>

## 24. Net other operating income

Net other operating income was as follows:

€ mn	2006	2005	%
Income from			
the disposal of property and equipment, and investment property	0.7	1.8	-61.1
rents	1.0	0.8	25.0
the reversal of provisions	8.8	0.0	-
the recovery of taxes not related to income	0.3	0.3	0.0
Miscellaneous other operating income	1.7	1.9	-10.5
<b>Total other operating income</b>	<b>12.5</b>	<b>4.8</b>	<b>-</b>
Losses from the disposal of property and equipment, and investment property	1.4	0.0	-
Expenses for additions to provisions	-1.1	-1.0	10.0
Cost of loss absorption	0.2	0.0	-
Expenses for taxes not related to income	0.3	0.3	0.0
Miscellaneous other operating expenses	5.9	6.6	-10.6
<b>Total other operating expenses</b>	<b>6.7</b>	<b>5.9</b>	<b>13.6</b>
<b>Total net other operating income</b>	<b>5.8</b>	<b>-1.1</b>	<b>-</b>

## 25. Income taxes

Income taxes are as follows in the year under review:

€ mn	2006	2005	%
Current taxes on income			
for the current year	-12.6	-10.0	26.0
for prior years	0.7	0.0	-
Deferred income taxes			
for the current year	-0.3	8.4	-
from temporary differences	-0.3	8.4	-
<b>Total</b>	<b>-12.2</b>	<b>-1.6</b>	<b>-</b>

The following reconciliation shows the relationship between the expected tax expense and the current tax expense:

€ mn	2006	2005	%
Result from ordinary activities before tax	97.0	50.8	90.9
Result from discontinued operations (before tax)	4.5	7.7	-41.6
Profit before tax	101.5	58.5	73.5
Tax rate in the Group (in %)	40.9	40.9	0.0
<b>Expected income tax expense</b>	<b>41.5</b>	<b>23.9</b>	<b>73.6</b>
Tax effects on permanent differences	-17.7	0.0	-
Tax rate differences with regard to earnings components that are subject to taxation in other countries	40.9	22.2	84.2
Tax decreases/increases due to changes in tax rates	-0.1	-0.1	0.0
Unrecognised deferred tax assets on tax loss carryforwards	5.5	-3.8	-
Current tax expense/income relating to prior periods	0.7	4.0	-82.5
<b>Total tax effects</b>	<b>29.3</b>	<b>22.3</b>	<b>31.4</b>
<b>Income taxes</b>	<b>-12.2</b>	<b>-1.6</b>	<b>-</b>
<b>Reported income taxes</b>			
Current taxes	-11.9	-10.0	19.0
Deferred taxes	-0.3	8.4	-
<b>Total</b>	<b>-12.2</b>	<b>-1.6</b>	<b>-</b>

The expected tax rate for the Group is composed of the corporate income tax rate of 25%, which is currently applicable in Germany, plus a solidarity surcharge of 5.5% as well as an average trade tax rate of 19.68%. Taking into account the deductibility of trade taxes from the corporate income tax, the Group's tax rate amounts to 40.86% (prior year: 40.86%).

## 26. Result from discontinued operations

The Transport Infrastructure portfolio held for sale contributed to the Group's results as follows:

€ mn	2006	2005	%
Interest income	18.7	11.7	59.8
Interest expenses	13.9	7.1	95.8
<b>Net interest income</b>	<b>4.8</b>	<b>4.6</b>	<b>4.3</b>
Allowance for losses on loans and advances	4.0	0.0	–
<b>Net interest income after loan losses</b>	<b>0.8</b>	<b>4.6</b>	<b>–82.6</b>
Fee and commission income	4.3	3.3	30.3
Fee and commission expenses	0.0	0.0	–
<b>Net fee and commission income</b>	<b>4.3</b>	<b>3.3</b>	<b>30.3</b>
Net income from financial instruments	–0.6	–0.2	–
Income tax expense	0.8	0.0	–
<b>Result from discontinued operations</b>	<b>3.7</b>	<b>7.7</b>	<b>–51.9</b>

## 27. Segment reporting

The segment report illustrates how the individual business divisions contribute to overall results of the DVB Bank Group. It is based on the internal management reporting system which plays a key role as a forecasting, management and control instrument in our divisional structure. Segmentation according to business divisions highlights the Bank's strategic focus on its core competence in Transport Finance. Within this framework, the internal reporting system does not take into account the Group's legal structure, but follows the strategic orientation and classification criteria applicable thereto.

The core strategic Transport Finance business is divided into the following market segments: Shipping, Aviation, Land Transport and Transport Infrastructure as well as our activities in the area of Corporate Finance & Capital Market Products. In October 2006, the Board of Managing Directors decided to discontinue the Transport Infrastructure business and to sell the portfolio.

Results from the remaining divisions and earnings contributions that do not fall under the individual business divisions' areas of responsibility are presented under the Other/Reconciliation/Consolidation segment. This also includes adjustments that are necessary in order to reconcile the management figures from internal reporting (which are shown in the segment reporting of the operating business units) with the corresponding data from external accounting. This segment also includes income from balance sheet items not allocated to specific business lines.

€ mn

	Group		Shipping		Aviation		Land Transport		Transport Infrastructure		Corporate Finance & Capital Market Products		Others/Overheads/Reconciliation	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Net interest income after loan losses	130.9	93.8	46.7	47.1	33.6	15.3	9.0	8.1	0.0	0.0	31.4	17.3	10.2	6.1
Net interest income	154.7	108.7	54.5	46.5	48.9	33.1	9.0	8.1	0.0	0.0	31.4	17.3	11.0	3.7
Impairment losses on loans and advances	-23.8	-14.9	-7.8	0.6	-15.2	-17.9	0.0	0.0	0.0	0.0	0.0	0.0	-0.8	2.4
Net fee and commission income	68.2	57.1	36.6	32.6	19.4	13.6	2.5	1.2	0.0	0.0	14.9	7.8	-5.3	1.8
Net income from financial instruments in accordance with IAS 39	13.5	-2.1	1.4	1.2	0.0	0.0	0.0	0.0	0.0	0.0	3.7	0.0	8.4	-3.3
Result from investments accounted for at equity	4.0	7.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	0.0	0.0	7.3
Net other operating income/expenses	5.8	-1.1	0.3	0.3	-0.1	-1.3	0.3	0.0	0.0	0.0	-5.8	0.7	11.2	-0.8
<b>Income</b>	<b>222.4</b>	<b>155.1</b>	<b>84.9</b>	<b>81.2</b>	<b>52.9</b>	<b>27.6</b>	<b>11.8</b>	<b>9.4</b>	<b>0.0</b>	<b>0.0</b>	<b>48.2</b>	<b>25.8</b>	<b>24.5</b>	<b>11.1</b>
General administrative expenses	-125.4	-104.3	-19.8	-17.9	-9.2	-6.4	-2.9	-2.8	0.0	0.0	-21.5	-9.8	-72.0	-67.3
Staff expenses	-71.4	-55.3	-15.7	-14.0	-7.3	-5.0	-2.4	-2.3	0.0	0.0	-11.0	-7.2	-35.0	-26.8
Operating expenses incl. depreciation/amortisation/impairment	-54.0	-49.0	-4.1	-3.9	-1.9	-1.4	-0.5	-0.4	0.0	0.0	-10.5	-2.6	-37.0	-40.5
<b>Result from ordinary activities before tax</b>	<b>97.0</b>	<b>50.8</b>	<b>65.2</b>	<b>63.3</b>	<b>43.7</b>	<b>21.2</b>	<b>8.9</b>	<b>6.6</b>	<b>0.0</b>	<b>0.0</b>	<b>26.7</b>	<b>16.0</b>	<b>-47.5</b>	<b>-56.2</b>
Result from discontinued operations	3.7	7.7	0.0	0.0	0.0	0.0	0.0	0.0	3.7	7.7	0.0	0.0	0.0	0.0
(Income) Taxes	-12.2	-1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-12.2	-1.7
Minority interest	1.5	-2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	-2.6	0.0	0.0
<b>Net profit/loss</b>	<b>90.0</b>	<b>54.3</b>	<b>65.2</b>	<b>63.3</b>	<b>43.7</b>	<b>21.2</b>	<b>8.9</b>	<b>6.6</b>	<b>3.7</b>	<b>7.7</b>	<b>28.2</b>	<b>13.4</b>	<b>-59.7</b>	<b>-57.9</b>
<b>Risk-weighted assets (average)<sup>1)</sup></b>	<b>10,427.6</b>	<b>9,003.5</b>	<b>5,070.0</b>	<b>4,253.4</b>	<b>3,072.2</b>	<b>2,563.9</b>	<b>867.0</b>	<b>825.8</b>	<b>529.2</b>	<b>473.5</b>	<b>298.6</b>	<b>156.7</b>	<b>590.6</b>	<b>730.2</b>
<b>Capital (average)</b>	<b>513.5</b>	<b>368.9</b>	<b>249.7</b>	<b>174.3</b>	<b>151.3</b>	<b>105.0</b>	<b>42.7</b>	<b>33.8</b>	<b>26.1</b>	<b>19.4</b>	<b>14.7</b>	<b>6.4</b>	<b>29.1</b>	<b>29.9</b>
<b>Cost/income ratio<sup>2)</sup></b>	<b>49.9%</b>	<b>58.7%</b>	<b>21.3%</b>	<b>22.2%</b>	<b>13.6%</b>	<b>14.1%</b>	<b>24.4%</b>	<b>29.6%</b>	-	-	<b>43.2%</b>	<b>42.4%</b>		
<b>Return on equity (before taxes)<sup>3)</sup></b>	<b>19.9%</b>	<b>15.9%</b>	<b>26.1%</b>	<b>36.3%</b>	<b>28.9%</b>	<b>20.2%</b>	<b>20.9%</b>	<b>19.5%</b>	<b>14.4%</b>	<b>39.7%</b>	<b>191.9%</b>	<b>208.8%</b>		

1) Owing to the DVB Bank Group's business focus, the risk-weighted assets are considered representative for the assets of the individual segments in accordance with principle I of the German Banking Act (Grundsatz I KWG).

2) Excluding allowances for losses on loans and advances. The figure for 2005 was adjusted since income and expenses of the Transport Infrastructure segment are now reported differently.

3) CIR and RoE in divisions without allocation of overhead costs.

## Basis of segment reporting

Each of the strategic areas in DVB's Transport Finance business is globally oriented. In view of the fact that the DVB Bank Group's markets do not display any major geographical peculiarities, we do not present a geographical classification.

The segment reporting reflects the operating business. It was prepared in accordance with the principles set out in IFRS. Both income and expenses are generally shown at market prices, and allocated to the responsible business division. Net interest income is calculated on the basis of market interest rates. In addition, this item also includes the return on the capital allocated to each business division. The imputed allocation of equity is in line with the capital ratio according to the German Banking Act (Grundsatz I) and is based on the calculated average risk-weighted assets and the amounts to be included for market risks (risk asset equivalents). Impairment losses on loans and advances includes net additions to specific valuation allowances for credit risks, as well as recoveries on loans and advances previously written off and general valuation allowances (portfolio impairment). General administrative expenses include the directly allocable components of staff expenses, operating expenses, as well as amortisation, depreciation and impairment of property and equipment, and intangible assets. Taxes are currently not allocated to the business divisions.

The profitability of the DVB Bank Group and the individual segments is measured by using the profit from ordinary activities and the RoE and CIR indicators.

Owing to the bank's specific business focus, risk-weighted assets represent the assets of the individual segments.

## Notes to the balance sheet

### 28. Cash and balances with the central bank

€ mn	2006	2005	%
Balance with central banks	163.0	48.9	–
<b>Total</b>	<b>163.0</b>	<b>48.9</b>	<b>–</b>

This item includes a minimum reserve requirement in the amount of €29.3 million (prior year: €18.2 million).

## 29. Loans and advances to banks

€ mn	2006	2005	%
Loans and advances	138.2	123.9	11.5
thereof: payable on demand	117.7	92.7	27.0
thereof: with a limited term	20.5	31.2	-34.3
Money market transactions	462.5	753.0	-38.6
thereof: payable on demand	177.5	23.7	-
thereof: with a limited term	285.0	729.3	-60.9
Other loans and advances to banks	0.0	0.1	-100.0
<b>Total</b>	<b>600.7</b>	<b>877.0</b>	<b>-31.5</b>
German banks	243.7	472.6	-48.4
Foreign banks	357.0	404.4	-11.7
<b>Total</b>	<b>600.7</b>	<b>877.0</b>	<b>-31.5</b>

## 30. Loans and advances to customers

€ mn	2006	2005	%
Loans and advances	8,921.7	8,739.9	2.1
thereof: payable on demand	105.6	97.0	8.9
thereof: with a limited term	8,816.1	8,642.9	2.0
Money market transactions	3.3	0.0	-
thereof: payable on demand	3.3	0.0	-
thereof: with a limited term	0.0	0.0	-
Other loans and advances to customers	0.0	35.6	-100.0
<b>Total</b>	<b>8,925.0</b>	<b>8,775.5</b>	<b>1.7</b>
German customers	1,020.2	1,113.6	-8.4
Foreign customers	7,904.8	7,661.9	3.2
<b>Total</b>	<b>8,925.0</b>	<b>8,775.5</b>	<b>1.7</b>

Loans and advances include items with a carrying amount of €17.1 million (prior year: €22.0 million). These loans and advances are measured at fair value through profit or loss under the fair value option.

As at 31 December 2006, the Company had finance leases for ships, shipping containers, airplanes and aircraft engines with a total lease term between 5 and 14 years. These leases are reported under loans and advances to customers with a limited term in an amount of €263.1 million (prior year: €30.6 million). As at 31 December 2006, there were no lease payments outstanding.

€ mn	2006	2005	%
Total lease payments	349.7	38.2	–
Guaranteed residual value	56.3	0.0	–
Gross investment value	406.0	38.2	–
thereof: within 1 year	51.4	6.5	–
thereof: within 1 to 5 years	201.3	23.2	–
thereof: after more than 5 years	153.3	8.5	–
<b>Total gross investment</b>	<b>406.0</b>	<b>38.2</b>	<b>–</b>
Less unearned finance income	142.9	7.6	–
<b>Total net investment</b>	<b>263.1</b>	<b>30.6</b>	<b>–</b>

### 31. Allowances for losses on loans and advances

The allowance for losses on loans and advances is based on rules applied consistently throughout the Group, and covers all identifiable risks. For losses incurred, but not identified, a portfolio-based valuation allowance (portfolio impairment) is recognised on the basis of historical experience. Allowances for country risks were not required.

	Specific valuation allowances		Portfolio impairment		Total	
	2006	2005	2006	2005	2006	2005
Balance as at 1 Jan	115.0	104.9	5.9	8.0	120.9	112.9
Additions	33.7	32.0	3.0		36.7	32.0
Reversals	23.6	26.2	1.9	2.1	25.5	28.3
thereof: utilised	13.9	12.6			13.9	12.6
thereof: released	9.7	13.6	1.9	2.1	11.6	15.7
Changes in consolidated group and other adjustments	-2.5	0.0			-2.5	0.0
Changes resulting from exchange rate fluctuations	-5.4	4.3			-5.4	4.3
<b>Balance as at 31 Dec</b>	<b>117.2</b>	<b>115.0</b>	<b>7.0</b>	<b>5.9</b>	<b>124.2</b>	<b>120.9</b>

The allowance for losses on loans and advances of €124.2 million (prior year: €120.9 million) exclusively relates to loans and advances to customers.

### 32. Positive fair values of hedging derivatives

	2006	2005	%
Hedging instruments with positive fair values			
Interest rate products	168.6	307.1	-45.1
Currency-related products	4.2	10.8	-61.1
<b>Total</b>	<b>172.8</b>	<b>317.9</b>	<b>-45.6</b>

### 33. Financial assets held for trading

€ mn	2006	2005	%
Derivative financial instruments with positive fair values			
Interest rate products	43.6	81.5	-46.5
Currency-related products	53.0	2.2	-
<b>Total</b>	<b>96.6</b>	<b>83.7</b>	<b>15.4</b>

### 34. Investment securities

€ mn	2006	2005	%
Bonds and other fixed-income securities	92.9	177.3	-47.6
thereof: bonds and notes	92.9	177.3	-47.6
Equities and other non-fixed-income securities	29.1	37.9	-23.2
Equity investments	73.2	88.9	-17.7
Shares in unconsolidated, affiliated companies	1.7	14.1	-87.9
<b>Total</b>	<b>196.9</b>	<b>318.2</b>	<b>-38.1</b>

Equity investments also include investments in associates, which were measured at cost.

The fair values of negotiable securities are as follows:

€ mn	2006	2005	%
Bonds and other fixed-income securities	91.2	160.8	-43.3
thereof: bonds and notes	91.2	160.8	-43.3
Equities and other non-fixed-income securities	28.7	37.9	-24.3
<b>Total</b>	<b>119.9</b>	<b>198.7</b>	<b>-39.7</b>

### 35. Investments accounted for at equity

€ mn	2006	2005	%
Investments in associates	17.7	19.9	-11.1
Interests in joint ventures	30.4	12.0	-
<b>Total</b>	<b>48.1</b>	<b>31.9</b>	<b>50.8</b>

Investments in associates as well as interests in joint ventures relate to equity investments exclusively held by NFC Shipping Funds and Deucalion Aviation Funds.

### 36 Intangible assets

€ mn	2006	2005	%
Goodwill	78.5	74.7	5.1
Other intangible assets	3.5	5.4	-35.2
<b>Total</b>	<b>82.0</b>	<b>80.1</b>	<b>2.4</b>

### 37. Property and equipment

€ mn	2006	2005	%
Land and buildings	5.1	5.2	-2.0
Investment property	6.7	4.6	45.7
Operating and office equipment	4.2	3.2	31.3
Assets held under operating leases	451.5	336.6	34.1
Other property and equipment	1.5	0.6	-
<b>Total</b>	<b>469.0</b>	<b>350.2</b>	<b>33.9</b>

As at 31 December 2006, DVB Bank Group companies were lessors for ships, aircrafts, aircraft engines and shipping containers provided under operating leases. The lease term was five to ten years for ships, four to seven years for aircrafts, seven years for aircraft engines, and eleven years for shipping containers.

The sum of future minimum lease payments as at 31 December 2006 is as follows:

€ mn	2006	2005	%
Total future minimum lease payments			
due within 1 year	58.2	41.2	41.3
due within 1 to 5 years	186.8	138.7	34.7
due after more than 5 years	64.8	20.1	-
<b>Total</b>	<b>309.8</b>	<b>200.0</b>	<b>54.9</b>

### 38. Statement of changes in non-current assets

Depreciation, amortisation, and impairment of land and buildings, operating and office equipment, software and other intangible assets are recognised in the item “Depreciation, amortisation, impairment and write-ups”, which is included in general administrative expenses.

Goodwill is not amortised on a systematic basis. An impairment loss has to be recognised when the recoverable amount of a cash generating unit to which goodwill has been allocated is less than its carrying amount. In the DVB Group, the cash generating units correspond to the business divisions.

Goodwill, which is reported under intangible assets at the DVB Bank Group, mainly results from the acquisition of DVB Bank N.V. (formerly: Nedship Bank N.V.). As a result, this goodwill was allocated to the Shipping business division. The impairment test performed as at the balance sheet date did not result in any write-down for impairment to be recognised.

Intangible assets include internally-generated assets with a carrying amount of €0.9 million (prior year: €1.0 million).

€ mn	Cost as at 1 Jan	Additions at cost	Disposals at cost	Reclassifications	Exchange rate changes	Cost as at 31 Dec	Write-ups
Land and buildings	7.6	2.3	0.2			9.7	
Investment property	4.8					4.8	
Operating and office equipment	15.9	3.3	1.7			17.5	
Leased assets	375.8	304.9	131.4	-20.6	-32.0	496.7	
Other property and equipment	0.5	1.0				1.5	
Intangible assets (excl. goodwill)	13.8	1.1				14.9	
Goodwill	74.7	3.8				78.5	
<b>Total</b>	<b>493.1</b>	<b>316.4</b>	<b>133.3</b>	<b>-20.6</b>	<b>-32.0</b>	<b>623.6</b>	<b>0.0</b>

Depreciation and amortisation	Depreciation, amortisation and impairment from prior year	Depreciation, amortisation and impairment disposals	Depreciation, amortisation and impairment – exchange rate changes	Cumulative depreciation, amortisation, impairment and write-ups	Carrying amount as at 31 Dec	Carrying amount as at 31 Dec of prior year
0.3	2.4	0.3		2.4	7.3	5.2
0.1	0.2			0.3	4.5	4.6
1.7	12.7	1.1		13.3	4.2	3.2
25.8	39.2	15.5	–4.3	45.2	451.5	336.6
				0.0	1.5	0.6
3.0	8.4		0.1	11.4	3.5	5.4
				0.0	78.5	74.7
<b>30.9</b>	<b>62.8</b>	<b>16.9</b>	<b>–4.2</b>	<b>72.6</b>	<b>551.0</b>	<b>430.3</b>

### 39. Income tax assets

€ mn	2006	2005	%
Current income tax assets			
Germany	0.6	1.0	-40.0
Foreign countries	1.3	1.3	0.0
Deferred income tax assets			
Temporary differences	20.6	81.1	-74.6
<b>Total</b>	<b>22.5</b>	<b>83.4</b>	<b>-73.0</b>

Deferred tax assets on tax loss carryforwards in the amount of €36.7 million (prior year: €55.3 million) were not recognised at the DVB Bank Group since the Bank expects that it will not necessarily generate taxable profits in the countries in which the tax loss carryforwards exist.

Deferred tax assets were recognised for the following balance sheet items:

€ mn	2006	2005	%
Loans and advances to banks and customers, incl. allowances for losses on loans and advances	3.6	3.7	-2.7
Deposits from customers and other banks	9.0	63.6	-85.9
Securitised liabilities	0.0	1.7	-100.0
Subordinated liabilities	0.0	1.3	-100.0
Other balance sheet items	8.0	10.8	-25.9
<b>Total</b>	<b>20.6</b>	<b>81.1</b>	<b>-74.6</b>

### 40. Other assets

€ mn	2006	2005	%
Other tax receivables	1.2	0.8	50.0
Advance payments and prepaid expenses	1.1	1.2	-8.3
Miscellaneous other assets	11.5	7.6	51.3
<b>Total</b>	<b>13.8</b>	<b>9.6</b>	<b>43.8</b>

#### 41. Assets held for sale

€ mn	2006	2005	%
Loans and advances to customers	414.2	0.0	–
Allowances for losses on loans and advances	–6.5	0.0	–
Securities	25.0	0.0	–
Derivatives with positive fair values	0.2	0.0	–
<b>Total</b>	<b>432.9</b>	<b>0.0</b>	<b>–</b>

#### 42. Deposits from other banks

€ mn	2006	2005	%
Loans and advances	1,336.3	966.8	38.2
thereof: payable on demand	54.6	8.6	–
thereof: with a limited term	1,281.7	958.2	33.8
Money market transactions	1,218.5	1,965.2	–34.8
thereof: payable on demand	86.9	204.1	–57.4
thereof: with a limited term	1,131.6	1,761.1	–35.7
Other deposits from other banks	0.0	0.2	–100.0
<b>Total</b>	<b>2,554.8</b>	<b>2,932.2</b>	<b>–12.9</b>
German banks	1,871.3	2,457.1	–23.8
Foreign banks	683.5	475.1	43.9
<b>Total</b>	<b>2,554.8</b>	<b>2,932.2</b>	<b>–12.9</b>

Deposits from other banks also include such loans and advances with a total carrying amount of €117.4 million (prior year: €118.0 million), which are measured at fair value through profit or loss under the fair value option.

#### 43. Deposits from customers

€ mn	2006	2005	%
Loans and advances	3,685.8	3,480.1	5.9
thereof: payable on demand	206.1	213.0	-3.2
thereof: with a limited term	3,479.7	3,267.1	6.5
Money market transactions	347.6	116.8	-
thereof: payable on demand	6.2	0.0	-
thereof: with a limited term	341.4	116.8	-
Other deposits from customers	0.0	5.6	-100.0
<b>Total</b>	<b>4,033.4</b>	<b>3,602.5</b>	<b>12.0</b>
German customers	3,213.1	2,785.2	15.4
Foreign customers	820.3	817.3	0.4
<b>Total</b>	<b>4,033.4</b>	<b>3,602.5</b>	<b>12.0</b>

Deposits from customers also include such loans and advances with a total carrying amount of €88.4 million (prior year: €99.8 million), which are measured at fair value through profit or loss under the fair value option.

#### 44. Securitised liabilities

€ mn	2006	2005	%
Commercial paper	848.6	70.3	-
Bearer bonds	2,180.9	2,790.4	-21.8
<b>Total</b>	<b>3,029.5</b>	<b>2,860.7</b>	<b>5.9</b>

Securitised liabilities do no longer include bearer bonds which are measured at fair value through profit or loss under the fair value option (prior year: €20.5 million).

#### 45. Negative fair values of hedging derivatives

€ mn	2006	2005	%
Hedging instruments with negative fair values			
Interest rate products	59.0	40.4	46.0
Currency-related products	0.0	70.3	-100.0
<b>Total</b>	<b>59.0</b>	<b>110.7</b>	<b>-46.7</b>

#### 46. Financial liabilities held for trading

€ mn	2006	2005	%
Derivative financial instruments with negative fair values			
Interest rate products	30.0	58.3	-48.5
Currency-related products	16.1	5.2	-
<b>Total</b>	<b>46.1</b>	<b>63.5</b>	<b>-27.4</b>

## 47. Provisions

€ mn	2006	2005	%
Provisions for pensions and similar obligations	21.9	22.9	-4.4
Other provisions	35.7	32.9	8.5
<b>Total</b>	<b>57.6</b>	<b>55.8</b>	<b>3.2</b>

The pension commitments agreed upon with DVB Bank AG employees generally depend upon the period of service and salaries. They can be distinguished with regard to the base amount, which is granted for a number of years of service, and the top-up amount, which applies when the period of service exceeds 25 years.

The pension commitments agreed upon with employees of DVB Bank AG additionally include a commitment for benefits to surviving dependants (widow(er)s and orphans) as well as for benefits in the case of invalidity.

The pension obligations changed as follows in the year under review, taking into account the changes in accounting for actuarial gains and losses (the comparative information for the business year 2005 has been adjusted accordingly):

€ mn	2006	2005	%
Present value of the pension obligations as at 1 Jan (DBO)	34.2	30.2	13.3
Plan assets	-11.3	-10.7	5.6
Unrecognised actuarial gains/losses	0.0	0.0	-
Unrecognised past service cost	0.0	0.0	-
<b>Carrying amount of pension provisions as at 1 Jan</b>	<b>22.9</b>	<b>19.5</b>	<b>17.4</b>
Change in the year under review			
Service cost	1.5	2.1	-28.6
Interest expense	1.2	1.4	-14.3
Effects of plan adjustments	0.0	-0.7	-100.0
Return on plan assets	-0.3	-0.5	-40.0
Actuarial gains and losses			
recognised in the income statement	0.0	0.0	-
recognised directly in equity	-0.7	3.8	-
Benefits paid	-2.7	-2.7	0.0
<b>Carrying amount of pension provisions as at 31 Dec</b>	<b>21.9</b>	<b>22.9</b>	<b>-4.4</b>
Present value of the pension obligations as at 31 Dec (DBO)	34.9	34.2	2.1
Plan assets	-13.0	-11.3	15.0
Unrecognised actuarial gains/losses	0.0	0.0	-
Unrecognised past service cost	0.0	0.0	-
<b>Carrying amount of pension provisions as at 31 Dec</b>	<b>21.9</b>	<b>22.9</b>	<b>-4.4</b>

The interest cost of €1.2 million (prior year: €1.4 million) is recorded under staff expenses.

The calculation of the present value of the pension obligations is based on the following actuarial assumptions:

%	2006	2005
Interest rate	4.25	3.75
Expected salary increase	2.50	2.50
Pension increase	1.75	1.30

In the business year 2006 the Company used the new mortality tables called "Richttafeln 2005 G" by Prof. Klaus Heubeck, for the measurement of the pension provisions related to the employees of DVB Bank AG.

Other provisions in the Group are as follows:

€ mn	2006	2005	%
Asset retirement obligations	1.0	1.0	0.0
Lending business	0.8	1.7	-52.9
Miscellaneous other provisions	33.9	30.2	12.3
<b>Total</b>	<b>35.7</b>	<b>32.9</b>	<b>8.5</b>

The provisions changed during the year under review as follows:

€ mn	Balance as at 1 Jan	Utilisation	Reversals	Additions	Reclassifications	Changes in consolidated group	Balance as at 31 Dec
Asset retirement obligations	1.0	0.0	0.0	0.0	0.0	0.0	1.0
Lending business	1.7	0.0	-0.9	0.0	0.0	0.0	0.8
Miscellaneous other provisions	30.2	-20.1	-7.9	31.7	0.0	0.0	33.9
<b>Total</b>	<b>32.9</b>	<b>-20.1</b>	<b>-8.8</b>	<b>31.7</b>	<b>0.0</b>	<b>0.0</b>	<b>35.7</b>

Since 2000, the European Commission has been conducting investigations involving several European banks due to alleged unlawful agreements regarding the fee structure for transactions in foreign coins and notes. On 14 October 2004, the European Court of Justice declared the administrative order imposing a fine on DVB Bank AG to be void. At the end of 2004, the European Commission filed an appeal against this judgement which was denied in September 2006. This judgement is legally binding, and therefore, the provision previously recognised for the potential fine was de-recognised completely.

#### 48. Income tax liabilities

€ mn	2006	2005	%
Current income tax liabilities	17.0	17.2	-1.2
Deferred income tax liabilities	25.3	81.7	-69.0
<b>Total</b>	<b>42.3</b>	<b>98.9</b>	<b>-57.2</b>

Deferred tax liabilities were recognised for the following balance sheet items:

€ mn	2006	2005	%
Loans and advances to banks and customers, incl. allowances for losses on loans and advances	1.0	0.0	-
Financial assets held for trading and hedging instruments	19.4	77.0	-74.8
Investment securities	0.5	1.5	-66.7
Property and equipment	2.3	2.4	-4.2
Securitised liabilities	0.0	0.0	-
Provisions	2.1	0.5	-
Other balance sheet items	0.0	0.3	-100.0
<b>Total</b>	<b>25.3</b>	<b>81.7</b>	<b>-69.0</b>

#### 49. Other liabilities

€ mn	2006	2005	%
Other tax liabilities	1.5	3.4	-55.9
Miscellaneous other liabilities	31.7	10.5	-
<b>Total</b>	<b>33.2</b>	<b>13.9</b>	<b>-</b>

The other tax liabilities mainly result from unpaid value-added tax of foreign branches and foreign subsidiaries.

#### 50. Subordinated liabilities

€ mn	2006	2005	%
Subordinated promissory note loans	475.2	429.9	10.5
Subordinated bearer bonds	61.9	64.8	-4.5
<b>Total</b>	<b>537.1</b>	<b>494.7</b>	<b>8.6</b>

Subordinated liabilities also include such subordinated promissory note loans with a total carrying amount of €10.5 million (prior year: €10.8 million) which are measured at fair value through profit or loss under the fair value option.

#### 51. Liabilities held for sale

€ mn	2006	2005	%
Derivatives with negative fair values	1.3	0.0	-
<b>Total</b>	<b>1.3</b>	<b>0.0</b>	<b>-</b>

## 52. Equity

Equity can be broken down as follows:

€ mn	2006	2005	%
Issued share capital	99.5	99.6	-0.1
Capital reserve	199.4	199.5	-0.1
Retained earnings	369.9	292.7	26.4
Revaluation reserve	20.4	26.6	-23.3
Hedging reserve – cash flow hedges	3.7	-1.4	–
Currency translation reserve	-2.9	-8.0	-63.8
Distributable profit	12.5	9.5	31.6
<b>Total equity before minority interests</b>	<b>702.5</b>	<b>618.5</b>	<b>13.6</b>
Minority interests	2.3	4.1	-43.9
<b>Equity</b>	<b>704.8</b>	<b>622.6</b>	<b>13.2</b>

### 52.1 Issued share capital

As at the balance sheet date, the subscribed capital of DVB Bank AG consists of 3,893,651 no-par value bearer shares.

### 52.2 Capital reserve

The capital reserve includes the premium from the issuance of shares, incl. subscription rights, exceeding the nominal value or the imputed value.

### 52.3 Treasury shares

The treasury shares held by DVB Bank AG as at the balance sheet date are deducted from equity using the so-called "par value method". For this purpose, the treasury shares are divided into the components "Subscribed capital" and "Capital reserve". Gains or losses arising from transactions with treasury shares are offset against retained earnings.

### 52.4 Retained earnings

Retained earnings include the legal reserve, other retained earnings, as well as the fund for general banking risks.

The legal reserve amounts to €1.3 million (prior year: €1.3 million) and is subject to restrictions with regard to distribution to shareholders.

Other retained earnings comprise the undistributed profits of the Group, including the cumulative amounts resulting from consolidation measures recognised in profit or loss.

In addition, retained earnings also include the fund for general banking risks totalling €82.4 million (prior year: €82.4 million).

## **Notes to financial instruments**

### **53. Derivative financial instruments**

Derivative financial instruments are used by the DVB Bank Group primarily to hedge interest rate and foreign currency risks. For this purpose, DVB enters into interest rate swaps, forward rate agreements, cross-currency swaps and foreign currency swaps with banks and customers. The related hedged items are loans and advances to banks and customers, deposits from customers and other banks, securitised liabilities and subordinated liabilities. In addition, individual forward currency contracts are entered into in order to hedge foreign currency risks from expected interest payments denominated in US dollars.

The major part of derivative financial instruments is reported in the balance sheet in the items "Positive fair values from hedging derivatives" and "Negative fair values from hedging derivatives". Derivative financial instruments held by DVB which are not reported as a hedging instrument within the scope of an effective hedging relationship are included in the item "Financial assets held for trading" or "Financial liabilities held for trading".

The fair value of derivative financial instruments is determined using generally accepted measurement methods, e.g. the discounted cash flow (DCF) method or option pricing models.

## 54. Maturity groupings and fair value of derivative financial instruments

€ mn	Remaining term to maturity			Total		Fair values		Fair values	
	up to 1 year	1 to 5 years	more than 5 years	31 Dec 2006	31 Dec 2005	positive 31 Dec 2006	negative 31 Dec 2006	positive 31 Dec 2005	negative 31 Dec 2005
Interest rate products									
Interest rate swaps	43.9	69.2	28.3	141.4	334.2	211.7	-79.8	385.3	-88.3
Forward rate agreements	0.0	0.0	0.0	0.0	-0.1	0.2	-0.2	0.2	-0.3
Interest rate options	-8.7	0.0	0.0	-8.7	-6.0	0.3	-9.0	1.6	-7.6
<b>Total interest rate products</b>	<b>35.2</b>	<b>69.2</b>	<b>28.3</b>	<b>132.7</b>	<b>328.1</b>	<b>212.2</b>	<b>-89.0</b>	<b>387.1</b>	<b>-96.2</b>
Currency-related products									
Forward currency contracts	36.6			36.6	-61.4	52.7	-16.1	11.8	-73.2
Cross-currency swaps	-0.4	2.6	0.2	2.4	-6.6	4.5		1.4	-2.6
<b>Total currency-related products</b>	<b>36.2</b>	<b>2.6</b>	<b>0.2</b>	<b>39.0</b>	<b>-68.0</b>	<b>57.2</b>	<b>-16.1</b>	<b>13.2</b>	<b>-75.8</b>
<b>Total</b>	<b>71.4</b>	<b>71.8</b>	<b>28.5</b>	<b>171.7</b>	<b>260.1</b>	<b>269.4</b>	<b>-105.1</b>	<b>400.3</b>	<b>-172.0</b>

## 55. Market price risks

The material market risks to which the DVB Bank Group is exposed are interest rate and credit risks.

The management of market price risks in the banking book and the trading book is the responsibility of Treasury. The market price risks are determined for both the trading book and the banking book on the basis of the same VaR procedure. Using this VaR method, the maximum loss that may arise due to market price risks during a holding period of one day is quantified at a confidence level of 99% on the basis of a historical simulation. The functionality of the VaR method is assured by means of a back testing procedure. During the back testing procedure, the gains and losses of the items included in the trading book and the banking book are calculated on a daily basis, using the actually-occurred market price changes, and are compared with the values determined with the VaR method.

### 55.1 Interest rate risks

At the DVB Bank Group, interest rate risks may occur in connection with fixed-rate loans and advances to banks and customers, securities, deposits from customers and other banks, securitised liabilities and subordinated liabilities. In addition, the Bank may be exposed to interest rate risks from transactions involving variable interest rates to the extent that the relevant term for the interest rate arrangement exceeds the term which is managed by the bank. At the DVB Bank Group, interest rate risks are primarily managed on an individual contract basis.

## 55.2 Credit risks

Credit risks arise from potential reductions in assets due to unexpected defaults or unexpected decreases in the credit quality of the DVB Group's business partners. They include borrower, issuer, counterparty and country risks.

Credit risks are managed for individual transactions by stipulating a limit, on the basis of conservative credit principles and lending principles of specific business areas.

The gross lending volume in the year under review totalled €12.2 billion (prior year: €12.2 billion) and includes the following transactions:

€ bn	2006	2005	%
Loans and advances to banks	0.6	0.9	-33.3
Loans and advances to customers	8.8	8.7	1.1
Securities (incl. equity investments)	0.2	0.4	-50.0
Guarantees and indemnities	0.3	0.3	0.0
Irrevocable loan commitments	2.0	1.5	33.3
Derivatives	0.3	0.4	-25.0
<b>Total</b>	<b>12.2</b>	<b>12.2</b>	<b>0</b>

## 56. Currency risks

Currency risks mainly result from receivables and liabilities related loans as well as interest payments denominated in foreign currencies. The DVB Bank Group primarily enters into forward currency contracts in order to hedge currency risks. These contracts take into account both the amount and the date of the interest payments to be expected in the following business year. Any further currency risks from interest margins are also hedged by entering into forward currency contracts. This hedging relationship is accounted for in the financial statements in part by designating cash flow hedges.

## 57. Fair values of non-derivative financial instruments

€ mn	Fair Value		Carrying amount	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
<b>Assets</b>				
Cash and balances with the central bank	163.0	48.9	163.0	48.9
Financial assets held for trading (non-derivative)	0.0	0.0	0.0	0.0
Loans and advances to banks	596.9	878.0	600.7	877.0
Loans and advances to customers	9,205.2	9,104.1	8,925.0	8,775.5
Investment securities (excl. interests in unconsolidated, affiliated companies)	193.5	301.8	195.2	304.1
<b>Total assets</b>	<b>10,158.6</b>	<b>10,332.8</b>	<b>9,883.9</b>	<b>10,005.5</b>
<b>Liabilities</b>				
Financial liabilities held for trading (non-derivative)	0.0	0.0	0.0	0.0
Deposits from other banks	2,564.4	2,946.2	2,554.8	2,932.2
Deposits from customers	4,078.1	3,638.6	4,033.4	3,602.5
Securitised liabilities	2,677.7	2,878.2	3,029.5	2,860.7
Subordinated liabilities	550.7	528.3	537.1	494.7
<b>Total liabilities</b>	<b>9,870.9</b>	<b>9,991.3</b>	<b>10,154.8</b>	<b>9,890.1</b>

The fair value of derivative financial instruments is presented in conjunction with the maturity groupings of derivative financial instruments.

## 58. Maturity groupings of non-derivative financial instruments

€ mn	Payable on demand	Remaining term to maturity up to 3 months	Remaining term to maturity from 3 months to 1 year	Remaining term to maturity from 1 year to 5 years	Remaining term to maturity more than 5 years	Total
Loans and advances to banks	295.2	255.2	38.0	15.9	0.0	604.3
Loans and advances to customers	108.9	779.9	1,276.4	5,214.6	4,175.3	11,555.1
Investment securities	0.0	0.0	3.5	86.2	107.2	196.9
<b>Total</b>	<b>404.1</b>	<b>1,035.1</b>	<b>1,317.9</b>	<b>5,316.7</b>	<b>4,282.5</b>	<b>12,356.3</b>
Deposits from other banks	141.5	848.3	504.6	730.7	536.4	2,761.5
Deposits from customers	212.3	656.6	166.0	1,256.5	3,158.0	5,449.4
Securitised liabilities	0.0	644.2	930.9	1,570.1	0.0	3,145.2
Subordinated liabilities	0.0	2.6	39.3	466.9	123.0	631.8
<b>Total</b>	<b>353.8</b>	<b>2,151.7</b>	<b>1,640.8</b>	<b>4,024.2</b>	<b>3,817.4</b>	<b>11,987.9</b>

The amounts reported for the individual time bands reflect the undiscounted future cash flows (interest and capital payments).

## Other disclosures

### 59. Subordinated assets

During the year under review, the Company did not hold subordinated assets to any considerable extent.

### 60. Off-balance sheet commitments

€ mn	2006	2005	%
Irrevocable loan commitments	2,006.2	1,496.3	34.1
<b>Total</b>	<b>2,006.2</b>	<b>1,496.3</b>	<b>34.1</b>

## 61. Average number of employees

The average number of employees changed during the year under review as follows:

<i>Employees</i>	2006		2005	
	AG	Group	AG	Group
Women	96	147	88	129
Men	171	245	163	235
<b>Total</b>	<b>267</b>	<b>392</b>	<b>251</b>	<b>364</b>

The average number of employees does not include trainees, employees on parental leave, employees in the passive phase of partial retirement (Altersteilzeit) and people doing military or alternative community service, but including temporary personnel.

## 62. Related party disclosures

### 62.1 Remuneration and shareholdings of Board members

The emoluments paid to Board members during 2006 amounted to:

<i>€'000</i>	2006	2005
Board of Managing Directors	2,113.9	1,925.8
Supervisory bodies including expenses for taxes of foreign members of the Supervisory Board amounting to €11,900	135.7	71.0
Former members of the Board of Managing Directors and their surviving dependants	407.6	351.0
<b>Total</b>	<b>2,657.2</b>	<b>2,347.8</b>

### **62.1.1 Resolution to refrain from disclosing the individual levels of remuneration for the members of the Board of Managing Directors in accordance with the German Act on Disclosure of Remuneration of Management Board Members (Gesetz über die Offenlegung der Vorstandsvergütungen; VorstOG)**

Pursuant to the German Act on the Disclosure of Remuneration of Management Board Members, which came into force on 3 August 2005, it is now a requirement that listed companies disclose the remuneration of each individual member of the Board of Managing Directors, identifiable by name, in annual and consolidated financial statements for business years beginning after 31 December 2005. According to the VorstOG, however, the Annual General Meeting may pass a resolution, exempting the Company from disclosing remuneration on a personalised level for a period of five years, provided that such resolution is approved by 75% of the share capital represented at the meeting. DVB Bank AG made use of this option with the resolution adopted at the Annual General Meeting on 30 June 2006, as described in item 9 of the agenda.

Accordingly, disclosure of information in the annual and consolidated financial statements of DVB Bank AG, as required in section 285 sentence 1 no. 9 lit. a sentence 5–9 of the HGB and section 314 (1) no. 6 lit. a sentence 5–9 of the HGB, is not required for a period of five years (financial statements 2006 to 2011).

### **62.1.2 Remuneration of the Board of Managing Directors**

The structure of emoluments of the Board of Managing Directors of DVB Bank AG is based on the Internal Regulations for the Executive Committee of the Supervisory Board, which in turn have been adopted by the Supervisory Board. Accordingly, the overall remuneration of the Board of Managing Directors is composed of a fixed component of 51.9% and a variable component of 48.1%. The variable component consists of a traditional bonus, as well as stock options as an additional variable component.

The fixed component of the remuneration of DVB Bank AG's Board of Managing Directors totalled €1,098,129.27 in 2006 (2005: €1,247,032.72).

Bonus payments to members of the Board of Managing Directors are calculated on the basis of target agreements (to be laid down for any business year) between the Executive Committee and the Board member concerned. The amount of the bonus depends on the extent to which the targets were achieved. One half of the targets refers to the achievement of objective criteria, such as the RoE and CIR for the relevant business year, and the other half refers to individual performance of each member of the Board of Managing Directors. The bonus for the current financial year is then paid out in two tranches of 50% each, in each of the two following business years. A prerequisite for the payout is, however, that no notice of termination has been given with regard to the employment relationship as at the time of payment. Bonuses of €1,015,750.00 were distributed to the Board of Managing Directors in 2006 (2005: €678,800.00).

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

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

As the value of the options depends on the RoE in the respective reference year, it is not at present possible to calculate any intrinsic value.

Members of the Board of Managing Directors own a total of 2,150 options to purchase shares of DVB Bank AG. In the 2006 business year, members of the Board of Managing Directors exercised a total of 1,200 purchase options.

### 62.1.3 Remuneration of the Supervisory Board

The members of the Supervisory Board receive annual remuneration (incl. taxes) of €106,670.00, pursuant to section 18 (2) sentences 3 and 4 of the Articles of Association. The members of the Credit Committee receive additional remuneration (incl. taxes) of €17,117.50, pursuant to section 18 (1) sentence 5 of the Articles of Association, resulting in a total remuneration of €123,787.50.

Remuneration of the members of the Supervisory Board in 2006 is broken down as follows (€):

€	For Supervisory Board activities				Remuneration Supervisory Board Total	For Credit Committee activities				Remuneration Credit Committee Total
	Remuneration Supervisory Board	VAT 16%	Taxes for membership in a supervisory board 30%	Solidarity surcharge 5.5%		Remuneration Credit Committee	VAT 16%	Taxes for membership in a supervisory board 30%	Solidarity surcharge 5.5%	
<b>Shareholder and employee representatives, domiciled in Germany:</b>										
<b>Shareholder representatives:</b>										
Dr. Thomas Duhnkrack, Chairman	20,000.00	3,200.00			23,200.00	5,000.00	800.00			5,800.00
Prof. Dr. Manfred Schölch, Deputy Chairman	15,000.00	2,400.00			17,400.00					
Hemjō Klein	10,000.00	1,600.00			11,600.00					
Frank Westhoff (since 30 June 2006)	5,000.00				5,000.00					
<b>Employee representatives:</b>										
Lutz Baumgartl	10,000.00				10,000.00					
Axel Clemens	10,000.00				10,000.00	5,000.00				5,000.00
Sabine Meyer	10,000.00				10,000.00					
<b>Member of the Supervisory Board until 30 June 2006</b>										
Wolfgang Kirsch	5,000.00	800.00			5,800.00	2,500.00	400.00			2,900.00
<b>Shareholder representatives, domiciled outside Germany:<sup>1)2)</sup></b>										
Flemming Robert Jacobs, domiciled in Hurstwood, Surrey, UK	10,000.00	1,600.00 <sup>1)</sup>	3,000.00 <sup>2)</sup>	165.00 <sup>2)</sup>	6,835.00					
Robert Jan van der Burg, domiciled in Dublin, Ireland Member of the Credit Committee	10,000.00	1,600.00 <sup>1)</sup>	3,000.00 <sup>2)</sup>	165.00 <sup>2)</sup>	6,835.00	5,000.00	800.00 <sup>1)</sup>	1,500.00 <sup>2)</sup>	82.50 <sup>2)</sup>	3,417.50
<b>Supervisory Board and Credit Committee</b>										
	11,200.00	6,000.00	330.00		<b>106,670.00</b>	2,000.00	1,500.00	82.50		<b>17,117.50</b>
<b>Total</b>										
										<b>123,787.50</b>

For Supervisory Board members domiciled outside Germany, the following applies:

- 1) Value added tax is declared by DVB Bank AG and paid directly to the responsible tax office.
- 2) Taxes for membership in supervisory boards and solidarity surcharges for Supervisory Board members domiciled abroad are declared by DVB Bank AG and paid directly to the responsible tax office. Both taxes are thus deducted from Supervisory Board members' remuneration.

Of the taxes shown under 1) and 2) above, DVB Bank AG paid the following amount in taxes for Supervisory Board members domiciled abroad to the tax office: **11,912.50 €**

## 62.2 Shareholdings of the Board of Managing Directors and the Supervisory Board

As at 31 December 2006, the members of the Board of Managing Directors held 4,656 shares in DVB Bank AG. The members of the Supervisory Board held 61 shares in DVB Bank AG.

## 62.3 Pension liabilities to former members of the Board of Managing Directors

€4.71 million (2005: €3.18 million) has been set aside as provisions for pension liabilities to former members of the Board of Managing Directors and their surviving dependants.

## 62.4 Related companies

With regard to the presentation of the business relationships between DVB Bank AG and DZ BANK, we refer to the discussion about related companies included in the report of the Board of Managing Directors.

We maintain standard banking relationships on an arm's length basis with companies related to the DZ BANK Group. There were no loans to officers during the year under review. In addition, we refer to the details provided for in the subordinate status report of DVB Bank AG.

## 63. Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act

Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG) requires the boards of managing directors and supervisory boards of listed companies to issue a declaration of compliance with the German Corporate Governance Code on an annual basis. They declare by means of such a declaration that the recommendations of the Code have been and are being complied with and also comment on exceptions.

DVB Bank AG's Board of Managing Directors and Supervisory Board published their Declarations of Compliance in accordance with section 161 of the Stock Corporation Act on 29 June 2006, 11 September 2006 and 14 December 2006 in the electronic German Federal Gazette (elektronischer Bundesanzeiger) and simultaneously made the text permanently available to the public on the Bank's website under [www.dvbbank.com](http://www.dvbbank.com) "Investor Relations – Corporate Governance – Declaration of Compliance".

## 64. Financial statements of DVB Bank AG

DVB Bank AG is a parent company and, at the same time, a subsidiary of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main.

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main, prepared consolidated financial statements and a Group management report as at 31 December 2006, which was submitted to the Local Court of Frankfurt am Main and which includes DVB Bank AG.

Frankfurt/Main, 30 March 2007

DVB Bank AG

The Board of Managing Directors



Wolfgang F. Driese



Bertrand Grabowski



Dagfinn Lunde

## Auditors' Report

We have audited the consolidated financial statements prepared by DVB Bank AG, Frankfurt/Main, comprising the balance sheet, the profit and loss statement, statement of recognised income and expense, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the business year from 1 January to 31 December 2006. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (HGB) are the responsibility of the parent company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB, observing the generally accepted German standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany. Those standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements, in accordance with the applicable financial reporting framework, and in the Group management report, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group, and expectations as to possible misstatements, are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system, and the evidence supporting the disclosures in the consolidated financial statements and the Group management report, are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting policies and consolidation principles used, and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit led to no objections.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, gives a true and fair view of the Group's position, and suitably presents the opportunities and risks of future development.

Frankfurt/Main, 2 April 2007

**PricewaterhouseCoopers**  
**Aktiengesellschaft**  
**Wirtschaftsprüfungsgesellschaft**

Rabeling

German Public Auditor

ppa. Gröninger

German Public Auditor