



# Performance

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## Editorial

Dear readers,

Moody's Investors Service, the ratings agency, downgraded DVB's Bank Financial Strength Rating (BFSR) to C- from C. The move was announced in a press release on 23 June 2009. Moody's set DVB's BFSR, its debt and deposit ratings (A1) and its senior subordinated rating (A2) to review status; the short-term rating of P-1 was confirmed.

DVB has taken note of this decision. Nevertheless, the Bank is convinced that the stability of its portfolios remains unchanged. The Board of Managing Directors is very optimistic that DVB will succeed in navigating the Bank even through the stormy times of this unprecedented crisis without large defaults, thanks to the excellent quality of its relationship and risk management and the wealth of business options it is afforded through its close collaboration with its clients.

DVB approaches this crisis also as a challenge, and as an opportunity for profitable business.

Best regards,

Elisabeth Winter  
Manager Investor Relations

## “A sound approach in an unsound environment...”

by Sabine Schlieben and Elisabeth Winter, Investor Relations

... this is how **Wolfgang Driese, CEO and Chairman of the Board of Managing Directors, phrased DVB's guiding principle in navigating the troubled waters of the global economic crisis at this year's Annual General Meeting.**

On Wednesday, 10 June 2009, the ordinary Annual General Meeting (AGM) of DVB Bank SE was held in Frankfurt/Main, the company's registered office – the first shareholder meeting since DVB Bank N.V. merged into DVB Bank AG, with a simultaneous change in legal form to become a European public limited-liability company (Societas Europaea – SE), the previous year.

### Our AGM motto is: good planning is half of the success.

The legal preparations for every General Meeting always lie in the creation of the agenda for the Board of Managing Directors and the Supervisory Board. This year the agenda contained the traditional items (including the presentation of the financial statements and consolidated financial statements, the proposal for the appropriation of net retained profit, the formal approval of the Board of Managing Directors and the Supervisory Board, and the appointment of the external auditors for the current business year) and also featured an important item regarding the election of new shareholder representatives to the Supervisory Board. In addition, we support the Chairman of the Supervisory Board by drawing up a guideline for chairing the meeting: this outlines basic formalities, the reporting on proposals that have been submitted, the report of the Supervisory Board as well as how the general debate and voting process are conducted, and it also governs how to proceed in special cases.

### Legal framework

The legal framework governing the General Meeting has changed significantly in recent years. KontraG (1998), NaStraG (2001), TransPuG (2002), UMAG (2005) and ARUG (2009) are the tongue-twister acronyms of the various amendments to German public limited company law – an ongoing legal reform process. For brevity's sake, suffice it to say that the AGM will basically continue to be a gathering for shareholders residing in Germany. At the same time,

interested shareholders the world over are increasingly invited to participate. It is intriguing as to whether a paradigm change towards an interactive virtual AGM on the internet really could take place. This sort of AGM would not simply be transmitted on the internet, but would enable all shareholders online around the world to interactively participate by speaking, asking questions, and voting. Based on the relevant EU directive, migrating to an internet-based AGM platform has so far only been included as an option by the legislature under the recent amendment to German company law, by virtue of the Act Implementing the Shareholder Rights Directive (Gesetz zur Umsetzung der Aktionärsrechterichtlinie – “ARUG”). This could well be a welcome and fitting change for large listed companies with a significant free float, but the traditional and familiar process may still be perfectly adequate for smaller companies like DVB.



*The DVB service team shortly before the opening of the AGM 2009*

### **The day of the AGM**

By 8:00 a.m. on the day of the event, the bustle of work was already filling the foyer of the Hermann Josef Abs Saal where 14 members of DVB’s team were putting the final preparations in place. The reception tables for shareholders and guests needed to be manned, attendants needed to be quickly familiarised with their tasks, and the voting process needed to be tested. The doors of the Abs Saal were scheduled to open at 9:15 a.m. to welcome the arrival of the first DVB shareholders. There was an

aura of suspense in the air, for – despite the satisfactory financial statements, the profitable start in the first quarter of 2009, and the comparatively unremarkable agenda – it was difficult to predict how the growing global financial markets and economic crisis would impact shareholders and the Annual General Meeting.

### **Report of the CEO and Chairman of the Board of Managing Directors**

As in years past, the CEO’s speech was the high point of this year’s General Meeting. Wolfgang Driese held a speech that lasted nearly 50 minutes, presenting the approximately 150 shareholders and guests in attendance with a description of the challenges of the financial and transport markets that have confronted DVB in recent months, as well as relaying the outlook for the months to come during the 2009 business year.



*Wolfgang Driese, CEO and Chairman of the Board of Managing Directors*

*Those interested can go to our website, where we have included a video of Wolfgang Driese’s recorded speech (in German): <http://www.dvbbank.com/en/index.html>*

*In addition, there is a text version available for download at: [http://www.dvbbank.com/en/investor\\_relations/shareholders\\_meeting/archive/index.html](http://www.dvbbank.com/en/investor_relations/shareholders_meeting/archive/index.html)*

The reactions we encountered from shareholders and visitors all confirmed that Wolfgang Driese once again succeeded in instilling them with confidence in DVB’s capabilities, competence, vision and power of innovation. He placed particular emphasis on the sustainability of DVB’s business model, stating that, “Our business approach is shaped by close collaboration

*You can find more information about the key financial figures for the 2008 business year and the first quarter of 2009 on pages 5 to 8.*

with our clients. Teams of specialists at 13 different locations around the world provide for close client relationships. The need for an open line of communication between banks and their clients is greater than ever now, and our global presence has therefore been an important factor in our success. We are naturally aware of the fact that our competitors are watching us, but this does not mean they are anywhere near to being able to copy our approach. We are also constantly striving to be several steps ahead, true to our motto 'Setting the Pace in Transport Finance'."

As one example of this forward-looking "entrepreneurial spirit", Wolfgang Driese named the expansion of "close to the metal" asset management services in Aviation Finance and Shipping Finance that far surpass the ordinary range of services offered by banks. Our unique business model made it possible to achieve satisfactory results for both the 2008 business year and the first quarter of 2009, despite the financial markets crisis that brought negative effects of extraordinary factors (higher refinancing costs and impairment charges recognised on a bond issued by an Icelandic bank).

Wolfgang Driese expects that business development will continue to face a challenging market environment in 2009 and 2010 and that DVB's distinctive focus will be an important competitive advantage. The challenges posed by the financial markets crisis have already caused a considerable decline in the number of banks active in global Transport Finance and this situation will persist for the medium term, affording DVB very good business opportunities. DVB will continue to have access to retail liquidity generated by the German Cooperative Financial Services Network to refinance its business, and will also be actively engaged in unlocking new sources of funding. The Bank's first ship mortgage bond issuance is planned for autumn 2009, and aircraft mortgage bonds are also being considered. In addition, DVB has a stable capital base that was strengthened even further by the capital increase conducted in summer 2008.

Looking at the risk factors – possible competitive distortions in transport finance caused by state-controlled banks, a cap on new business due to the appreciation of the US dollar, and the potential for defaults within the credit portfolio – Driese reaffirmed, "This environment will be exceedingly demanding. Moreover, we will continue to place demands on ourselves – in order to be able to present you, our shareholders, with another set of good results for 2009 and to once again be able to distribute a fair dividend. A sound approach in an unsound environment – that should be our mark of distinction: as bankers, and as a bank – in particular, as DVB."



*Snapshot of this year's AGM*

### **The general debate and votes**

In the general debate that followed, about 97.0% of the capital entitled to vote was in attendance, and several shareholders and shareholder representatives made contributions or asked questions. The focus centred around the overall management of the Group, the individual portfolios, market developments and financial reporting issues. The question regarding a possible squeeze-out by DZ BANK was raised once

again this year. Dr Duhnkrack, Chairman of the Meeting and member of the Board of Managing Directors of DZ BANK, answered the question by stating that the majority shareholder felt comfortable with DVB and that no one was envisioning a squeeze-out at present.

The agenda itself caused little need for discussion. When compared with the wide array of issues confronted at last year's General Meeting – the change in legal form to become a Societas Europaea, the creation of new Authorised Capital 2008, and the share split – this year's agenda essentially was limited to the traditional items already mentioned. Additionally, the election of six shareholder representatives to the Supervisory Board was once again on the roster this year under item 6 of the agenda. Three of the existing members, Prof Dr Manfred Schölch, Robert Jan van der Burg and Hemjö Klein, declined inclusion in the list of candidates for age-related reasons after having served in the Supervisory Board for many years. Therefore three new candidates were elected to the Supervisory Board along with Dr Thomas Duhnkrack, Flemming Robert Jacobs and Frank Westhoff: Dr h. c. Stephan Götzl (business manager, President and Chairman of the Board of Managing Directors of Genossenschaftsverband Bayern e. V.), Dr Klaus Nittinger (advisor to the Chairman of the Board of Managing Directors of Deutsche Lufthansa AG), and Dr Peter Klaus (member of the Board of Managing Directors of the KfW Bank Group until April 2007), who had already served as a member of DVB Bank AG's Supervisory Board from 1999 to 2005. The entire Supervisory Board's term of office (including the newly-elected DVB employee representatives Dorinus (Ruud) Legters, Kieran O'Keefe and Martin Wolfert) concludes at the 2014 AGM, pursuant to section 102 (1) of the German Public Limited Companies Act. The constituting meeting of the Supervisory Board took place immediately after the AGM, including the election of the Chairman and Deputy.

*The information sheet for shareholders that was distributed at the AGM outlining the CVs of the elected shareholder representatives can be downloaded from our website: [http://www.dvbbank.com/en/investor\\_relations/shareholders\\_meeting/index.html](http://www.dvbbank.com/en/investor_relations/shareholders_meeting/index.html)*

This year's information on attendance and voting results was once again expertly compiled by Computershare HV-Services AG, one of the leading AGM service providers in Germany. Voting on items 2–9 of the agenda went smoothly, achieving voting majorities between 99.98% and 99.99% for each item. Given that DZ BANK holds a 95.44% stake in DVB's share capital, this stability has been the norm for many years.

### Shareholder reception and summary

The Chairman of the Meeting concluded the AGM at 1:17 p.m. Attention then shifted to the buffet of asparagus soup, filled sandwiches and cakes, ushering in the brief "cosy" part of the General Meeting. "Good planning was half of the success" for this year as well. We would like to express our gratitude for the commitment and cooperation of all of the DVB experts involved, and also our service team colleagues.

*Added for information: Dr Thomas Duhnkrack left DZ BANK AG's Board of Managing Directors as at 20 June 2009 and simultaneously resigned from the office as Chairman of the Supervisory Board of DVB Bank SE.*



*DVB Investor Relations (l. to r.):  
Silvia Sanchez, Elisabeth Winter, Sabine Schlieben*

## DVB holds course, with a solid start to 2009

by Silvia Sanchez Gonzalez, Investor Relations

**DVB's business model continued to demonstrate its resilience during the first months of the current year.**

DVB maintained its successful track record, despite the challenging situation on financial markets and the impact of recession on parts of the international transport sector. In its interim management statement, the Bank reported solid new business and stable overall income.

Net interest income and the net income from financial instruments in accordance with IAS 39 were down significantly year-on-year – on account of higher refinancing costs, prevailing distortions on global money markets, and higher volatility of exchange rates and interest rates.

€ mn	1. Jan 31 Mar 2009	1 Jan 31 Mar 2008	change
Net interest income after allowance for credit losses	30.5	49.6	-38.5%
Allowance for credit losses	0.4	7.4	-94.6%
Net fee and commission income	32.9	13.5	---
Net income from financial instruments in accordance with IAS 39	-5.3	-0.9	---
Income	63.3	63.7	-0.6%
General administrative expenses	-36.2	-32.2	12.4%
Result from ordinary activities before tax	27.1	31.5	-14.0%
<b>Consolidated net profit</b>	<b>24.4</b>	<b>26.7</b>	<b>-8.6%</b>
Cost/income ratio (IFRS)	57.6%	57.3%	0.3 pp
Return on equity before tax (IFRS)	11.9%	18.7%	-6.8 pp

There were several positive factors and developments:

- New Transport Finance business developed very favourably indeed, totalling €1.12 billion during the first quarter (Q1 2008: €1.17 billion), with 39 new transactions.
- The Bank succeeded in passing on the major part of higher refinancing costs to its clients, boosting its average interest margin on new Transport Finance business to an all-time high of 344 basis points (Q1 2008: 161 bp). DVB thus clearly demonstrated its ability to maintain a strong position with its Transport Finance clients, even during the current difficult environment.
- DVB can continue to rely upon its access to retail liquidity generated by the German Cooperative Financial Services Network, providing a stable source of funding for the Bank's Transport Finance business.
- Net fee and commission income nearly tripled. DVB generates commission income from advising on, and structuring complex financing projects, with the Aviation Finance division having been particularly successful in this respect.
- DVB remains profitable: at €27.1 million, the result from ordinary activities before tax was down 14% on the same quarter of the previous year – a result the Bank considers to be very satisfactory under current circumstances. The same circumstances, however, make it virtually impossible to predict business performance for the remainder of the year.

€ mn	31 Mar 2009	31 Mar 2008	change
Total assets	17,856.2	17,376.8	2.8%
Customer lending volume	19,562.1	18,494.3	5.8%
Basel II – Key ratios (Advanced Approach)			
Core capital ratio	15.3%	13.9%	1.4 pp
Total capital ratio	20.3%	18.2%	2.1 pp

DVB's interim management statement during the first half of 2009 is available for download from our website: [http://www.dvbbank.com/en/investor\\_relations/financial\\_reports/index.html](http://www.dvbbank.com/en/investor_relations/financial_reports/index.html)

## “I still enjoy being a banker.” DVB’s annual accounts press and analyst conference

by Silvia Sanchez Gonzalez and Elisabeth Winter, Investor Relations

**Speaking on the occasion of DVB’s annual accounts press and analysts conference on 12 March 2009, Wolfgang Driese, DVB’s CEO and Chairman of the Board of Managing Directors, made a statement in favour of his profession.**

As the German daily newspaper Frankfurter Allgemeine Zeitung commented, DVB “withstood the pressures of the financial markets crisis in 2008”. And Lloyd’s List, the specialist shipping publication, pointed out that the Bank had only nearly missed yet another record result.

These are just two quotes, taken from the media coverage on the day after the event at which CEO Wolfgang Driese had presented and explained DVB’s results (at

the time, still preliminary and unaudited) to the journalists attending the conference, held at DVB’s Frankfurt headquarters on the 40th floor of the ‘City Haus’ tower. Wolfgang Driese was supported by Dagfinn Lunde, Member of the Board of Managing Directors, as well as by Boris Siegers, Head of Treasury, Prof Dr Borislav Bjelicic, Press Spokesman, and Elisabeth Winter, Manager Investor Relations.

Mr Driese pointed out that DVB Group managed to continue its successful track record during 2008 – in spite of all adverse factors. The fact that the Bank managed to boost net fee and commission income by just under a quarter demonstrated its ability to further expand a strong position as an arranger of complex financing solutions.

The crisis affecting financial markets worldwide and the global economy led to three extraordinary factors which, on aggregate, burdened DVB’s performance by approx. €80 million, and thus interrupted the Bank’s series of record results.

€ mn	2008	2007	changes
Net interest income after allowance for credit losses	176.7	169.6	4.2%
Allowance for credit losses (amounts released)	16.5	20.3	-18.7%
Net fee and commission income	105.5	84.8	24.4%
Net income from financial instruments in accordance with IAS 39	-54.1	6.1	---
Income	256.7	266.1	-3.5%
Result from ordinary activities before tax	100.2	118.7	-15.6%
<b>Consolidated net profit</b>	<b>104.9</b>	<b>109.2</b>	<b>-3.9%</b>

Firstly, DVB’s net interest income was strongly affected by money market distortions. The interest rate on financings extended by DVB is usually linked to the London Interbank Offered Rate (LIBOR), a reference rate that – in normal market conditions – reflects the rates at which banks are prepared to lend to each other. Since the outbreak of the financial markets crisis, actual refinancing rates paid in the market have risen dramatically (without this increase being properly reflected in LIBOR rate fixings). Interest expenses increased by approx. €29 million on account of this sharp rise in costs, almost fully neutralising the marked increase in interest income, which was up by 11.4% year-on-year. Secondly, the US dollar weakened significantly versus the euro towards the end of 2008. Since the largest part of DVB’s customer lending is denominated in US dollars, this exchange rate development burdened the Bank’s net interest income by approx. €15 million. As a result of these two negative factors, DVB’s net interest

income after allowance for credit losses only increased by 4.2%, to €176.7 million, in spite of very attractive new business generated, with clearly higher interest margins.

Thirdly, DVB held a bond issued by an Icelandic bank as a liquidity reserve for payments via ECB. This bond had to be written down to a large extent, resulting in a €35.8 million burden on net income from investment securities (which forms part of the net income from financial instruments in accordance with IAS 39).



*"I still enjoy being a banker."*

*Wolfgang F. Driese, CEO and Chairman of DVB's Board of Managing Directors, during the press conference*

Commenting on government support for ailing banks, Mr Driese clearly expressed the position of DVB's Board of Managing Directors: "I don't want to become a banking civil servant", he said at the press conference. DVB is concerned about potential competitive distortions as a result of state support, as competitors benefiting from a sovereign guarantee have access to funding at more attractive terms – regardless of whether their business model is resilient.

Of course DVB also closely monitors the impact of the current situation on its clients. As the financial markets crisis increasingly spreads into the real economy, the two largest consumer markets worldwide – Europe and the USA – have entered recession. Lower consumption means lower transport volumes: as a consequence, freight rates in the shipping sector in particular have plunged from the high levels seen during the recent boom years. The container and bulk shipping segments – which are traditionally driven by consumer goods flows – were hit especially hard. For some vessels, this may lead to a lack of employment and hence, to a loss in value. However, this is not the first downturn DVB has experienced in the cyclical transport markets. Accordingly, the Bank's asset management teams are well prepared for any potential acquisitions of ships or aircraft. Dagfinn Lunde, whose responsibilities as a member of the Board of Managing Directors includes Shipping Finance, explained to journalists that DVB closely monitors all existing financing contracts, and that the Bank is thus in a position to react upon any indications of adverse developments at an early stage. Moreover, in view of higher refinancing costs, all of DVB's divisions are in the process of re-negotiating loan agreements with clients, in order to adapt terms and conditions to the prevailing market situation.



*"DVB closely monitors all existing financing contracts to be in a position to react upon any indications of adverse developments at an early stage."*

*Dagfinn Lunde, Member of DVB's Board of Managing Directors, during the press conference*

Larger-sized competitors, for whom transport finance is just one of many business lines, have withdrawn from this financing market. However, DVB is not pursuing the goal of increasing its market share – its objective is to choose those exposures that are particularly profitable. As a headline in *Börsen-Zeitung* read on 13 March 2009, “DVB is set for 'cherry-picking!'.” As one of the last remaining houses to still extend loans to transport businesses, the Bank is in a position to negotiate terms that are in line with the relevant risk exposure, and to pass on – at least in part – its higher refinancing costs. Moreover, DVB’s integration in the German Cooperative Financial Services Network – via its 95.44% majority shareholder DZ BANK – provides DVB with access to retail liquidity, reducing its dependence on international capital markets. And ultimately, DVB’s staff – with their long-standing experience and extensive knowledge of the transport markets – ensure that the Bank is not only able to manage any issues, but can successfully exploit opportunities arising during the current situation.



*"During the crisis, we want to choose especially profitable exposures."*

*Wolfgang F. Driese, CEO and Chairman of DVB's Board of Managing Directors, during the press conference*

## DVB in the press

by Prof Dr Borislav Bjelicic, Head of Corporate Communications

“Performance” is the name of DVB’s investor relations newsletter – and a study published by Boston Consulting Group in February dealing with the same topic. Entitled “Living with new realities”, the study looks at the performance of 583 listed financial institutions in 2008. Looking at total shareholder return during the period from 2004 to 2008, DVB has earned the number one ranking amongst all listed banks based in Germany.

In this report, BCG identifies several new realities that will redefine what banks must do to compete and to win in future. Amongst others BCG says that traditional „old-fashioned“ banking will re-emerge as the preferred business model, reflecting a more cautious, highly regulated, risk-oriented environment. Customer relationships will take the place of innovative and risk-taking activities as the centerpiece of banking strategy. The crisis is not the end of opportunity. „The new realities will force many banks to fall back on core businesses and markets, as well as leaner cost structures,“ said John Garabedian, a BCG senior partner and co-author. „These actions – coupled with better risk management – should help position a bank to gain substantial ground at the expense of competitors that do not act quickly and with purpose.“



*Report of the Boston Consulting Group  
"Living with New Realities"*

*DVB was ranked first of Germany-based listed banks measured by total shareholder return from 2004 to 2008.*

It does not come as a surprise, therefore, that a discussion regarding the ‘right’ business model for the future has emerged currently, especially amongst those financial institutions who have received capital support. As our CEO Wolfgang Driese reminded the media representatives attending our annual accounts press and analysts conference and the shareholders at this year’s Annual General Meeting (cf. pages 1 to 8 of this issue), this is not a discussion DVB needs to participate in, thanks to its clearly-defined business model.

Jim Lawrence wrote about DVB’s business model in the March edition of Marine Money: „This focus, combined with remarkable internal systems, has enabled the bank to profit and prosper in a frightening banking landscape.“ On top of this, DVB’s business model is characterised by reliability. Jim Lawrence once again: “DVB meanwhile remains a reliable partner to its shipping clients throughout the transport markets’ economic cycle”.



*With around 5,900 passenger trains and 400 freight trains on each working day, the 2,809 km Dutch rail network is one of the most heavily used in Europe. In the past, rail freight traffic benefited from the growth momentum of the Rotterdam maritime port in particular. Recognising the importance of Rotterdam as the largest European container port, the "Betuweroute" was purpose-built for container transportation: a 158.5 km, dual-track path exclusively used by freight trains. The track, which runs from Rotterdam port to Zevenaar, close to the Dutch-German border, went into operation in June 2007. The transport ministers of Germany and the Netherlands have already agreed to expand the connecting route, leading from Zevenaar to Oberhausen via Emmerich/Rhein, to a three-track path. The expansion work – scheduled to take place over the next few years – will enhance the Betuweroute's connection to the key freight corridor leading right down to Genoa via Cologne, Basle and Milan.*

DVB offers tailor-made services going far beyond the traditional range of banking. One example is DVB's asset management services – "close to the metal" – that are available to financial investors, but also to the Bank's competitors. Our Aviation Asset Management team – headed by John Skirrow – has been in existence since January 2007, advising aviation clients on appropriate restructuring and remarketing measures for distressed assets. Similarly, a Shipping Asset Management team was launched several months ago, and is now fully operational under the direction of Keith McRae. The new team and its focus were introduced by Tradewinds magazine, with the headline "Bank offers to help banks – DVB is working on a new trouble-shooting initiative to turn around problem shipping projects".

Shipping attracted a lot of media attention generally during recent weeks: for instance, German business newspaper Handelsblatt interviewed Mr Driese, asking him to give his assessment of risks arising from the prevailing difficulties in shipping markets. Mr Driese outlined three potential phases regarding the handling of loan exposures. As he explained to Handelsblatt: "We are in phase one of a downturn affecting financings – a phase during which breaches occur regarding individual covenants, but can be remedied. Such remedies are no longer feasible during the second phase, which requires banks to re-negotiate loan terms and redemptions. In phase three, banks will be forced to acquire collateral, i.e. buy the vessels."

Not surprisingly, the views of our research teams in Aviation, Shipping, and Land Transport Finance were sought after, as demonstrated in their publications on various topics. For instance, an article by Wouter Radstake, DVB's Head of Land Transport Research, has been published in the German Privatbahn magazine. The article analyses the development of the Dutch rail market since deregulation. Wouter Radstake's conclusion, in brief, is that: "In fact, the Netherlands are way ahead of their time" (see box on the left).

As usual, this article – and a number of others – are available for you to read on our homepage: check the „Press“ area on [www.dvbbank.com](http://www.dvbbank.com). We have also added some video clips introducing our business activities to our website – we hope you will find this addition interesting and attractive.

## Imprint

Performance -  
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