

Corporate Governance report

In Germany, key Corporate Governance events during 2005 included EU recommendations designed to strengthen independent supervisory bodies, as well as amendments to the Corporate Governance Code, which were required to incorporate changes to the legal environment with respect to accounting and financial reporting (according to the German Financial Reporting Compliance and Accounting Reform Acts), and investor protection.

More information on Corporate Governance issues is available on our website www.dvbbank.com – Investor Relations – Corporate Governance.

Against this background, the German Government Commission passed various amendments to the German Corporate Governance Code (the “Code”) on 2 June 2005.

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

- Fourth Declaration of Compliance for 2005 and 2006 – deviations from the Code’s recommendations;
- the securities-based incentive system “DVB Shares” (section 7.1.3 of the Code);
- purchases and sales of shares in the Company by members of the Board of Managing Directors or the Supervisory Board subject to notification obligations (section 6.6 (1)), and share ownership of these persons (section 6.6 (2)); and
- remuneration of the Supervisory Board (section 5.4.7).

Fourth Declaration of Compliance for 2005 and 2006

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

DVB did not comply with four individual recommendations of the Code during 2005 and 2006: **section 4.2.4 sentence 2, section 5.2 sentence 2 lit. 2, section 5.3.2 sentences 1 and 2, and section 5.4.7 sentence 3 lit. 2.**

During 2006, DVB did not comply with the recommendations of the Code regarding four additional issues:

- Section 4.2.3 sentence 7:** DVB considers the general setting of a cap, by the Supervisory Board, on the remuneration for the Board of Managing Directors (in order to provide for extraordinary, unforeseen developments) as inappropriate, since in the event of such developments, an adjustment to the variable remuneration would be justified. Notwithstanding this view, the Executive Committee of the Supervisory Board may, of course, agree to set a cap with individual members of the Board of Managing Directors.
- Section 5.4.3 sentences 1, 2 and 3:** DVB does not see any necessity for the individual election of Supervisory Board members. When selecting candidates for membership, DVB ensures that prospective members possess the necessary professional aptitude

Abbreviations

AGM	Annual General Meeting
Articles	Memorandum and Articles of Association
Code	German Corporate Governance Code
VAT	value-added tax

and personal skills. The candidates proposed by the Supervisory Board to the AGM are thus harmonised. Electing Supervisory Board members on an individual basis would hinder this approach. In the event of the judicial appointment of any Supervisory Board member, DVB does not consider it necessary to limit the term of office of members so appointed to the next AGM. Moreover, DVB strives to prevent the judicial appointment of Supervisory Board members. To this end, retiring members of the Supervisory Board shall retire with effect from the end of the next AGM to ensure, at the same time, the election of new members by the AGM. Given the Company's current shareholder structure, the majority shareholder puts forward the candidate for the Chairman of the Supervisory Board; an announcement is thus not required.

- Section 5.4.4 sentences 1 and 2:** to date, neither the Chairman nor any member of DVB's Board of Managing Directors have ever been appointed Chairman of the Supervisory Board, or of any Supervisory Board committee, nor are there any such plans for the future. Therefore, DVB sees no need to adopt a regulation to this effect.
- Section 7.1.2 sentence 3 lit. 1 and 2:** DVB is in the process of changing its accounting and financial reporting system to comply with recognised accounting principles according to IAS/IFRS during 2006. Publication of the consolidated financial statements for 2005 is scheduled for the end of April 2006, whilst the interim report for the first quarter of 2006 is expected to be published in June 2006. Subsequent quarterly reports will be made public within 45 days of each respective period under review.

In a separate Declaration of Compliance issued on 24 November 2005, DVB disclosed that it had exceeded the 45-day period stipulated in section 7.1.2 of the Code for the publication of third-quarter results 2005, by one day.

Securities-based incentive system "DVB Shares"

DVB Bank AG launched its "DVB Shares" employee participation scheme in 2000. Members of staff purchased a total of 15,464 employee shares, within the scope of five tranches, offered between 2000 to 2004. A total of 154,428 options were allocated on these shares, of which employees exercised a total of 35,305 options between 2003 and 2005. DVB's issued share capital was increased by an aggregate €902,558.00 as a result. A residual amount of 96,250 options was still unexercised as at 31 December 2005. These can be exercised in the years 2006 and 2007, provided that the financial requirements as defined by the AGM 2000 are met. The "DVB Shares" scheme will be terminated in 2007, after exercise or expiration of outstanding options, and will be replaced by a cash-based incentive scheme from 2008 onwards. More details are provided on pages 11 and 126–127.

Purchases and sales of shares in the Company by, and share ownership of, members of the Board of Managing Directors or the Supervisory Board subject to notification obligations (Directors' Dealings)

As at 31 December 2005, the members of the Board of Managing Directors held 6,346 shares in DVB Bank AG, plus 3,950 options. During 2005, members of the Board of Managing Directors exercised a total of 550 options. The members of the Supervisory Board held 70 shares in DVB Bank AG. No notices of purchases or sales (in accordance with section 6.6 of the Code) by members of the Board of Managing Directors or the Supervisory Board of DVB Bank AG were submitted during 2005.

Remuneration of the Supervisory Board

The annual remuneration of the services of the Supervisory Board members is regulated in article 18 of the Articles of DVB Bank AG.

The **total remuneration of the Supervisory Board** in 2005 amounted to €67,752.11, taking into account the tax rates applicable to the individual members of the Supervisory Board. Thus, total remuneration of the Supervisory Board decreased by 14% in comparison to the prior year (2004: €78,802.98, incl. 16% VAT), which is attributable to the reduction in the number of Supervisory Board members effective after the end of the AGM on 9 June 2004. As set out in the Articles, the Supervisory Board is now composed of six shareholder representatives and three employee representatives.

Of this total, €57,140.96 (2004: €67,350.04 incl. VAT) is attributable to the annual **remuneration of members of the Supervisory Board** in accordance with article 18 (1) sentences 3 and 4 of the Articles. Accordingly, all Supervisory Board members receive a base amount of €5,112.92 (pro rata temporis, if necessary). Pursuant to the Articles, the Chairman receives twice the base amount, and the Deputy Chairman one and a half times the base amount. In contrast to the shareholder representatives, the employee representatives will not be refunded 16% VAT, as their remuneration is not subject to value-added tax (article 18 (2) sentences 1 and 2 of the Articles). In accordance with article 18 (1) sentence 5 of the Articles, the **members of the Credit Committee** received an additional remuneration of €2,965.49 (incl. 16% VAT) apart from the base amount – with the exception of the employee representative Axel Clemens, to whom the amount of €2,556.46 was paid without VAT for the above-mentioned reasons. Thus, the total expense in respect of the activities of the Credit Committee was €10,611.16 (2004: €11,452.94 incl. VAT)

To replace the shareholder representatives who retired from the Supervisory Board after the end of the AGM on 10 June 2005 (Dr. Peter Klaus and Hermann Möller), Flemming Robert Jacobs, domiciled in Hurstwood, Surrey, UK, and Robert Jan van der Burg, domiciled in Dublin, Ireland, were appointed. As a result, for the first time, two members of the DVB Supervisory Board are domiciled outside Germany. Accordingly, DVB Bank AG is required to declare the taxes accruing on the remuneration for these members. Value-added taxes, taxes for membership of supervisory boards and solidarity surcharge were paid to the tax office.

The variable remuneration provided for in article 18 (1) sentence 6 of the Articles was not paid in 2005, as the requirements were not met.

In accordance with article 18 (1) sentence 7 of the Articles, the remuneration was paid on 1 July 2005. The adjacent table provides a breakdown of remuneration for individual members of the Supervisory Board:

€	For Supervisory Board activities					For Credit Committee activities				
	Remuneration Supervisory Board	VAT	Taxes for membership in a supervisory board	Solidarity sur- charge	Remuner- ation Super- visory Board	Remuner- ation Credit Committee	VAT	Taxes for membership in a supervisory board	Solidarity sur- charge	Remuner- ation Credit Committee
		16%	30%	5.50%	Total		16%	30%	5.50%	Total
			2)	2)				2)	2)	
Shareholder and employee representatives, domiciled in Germany:										
Shareholder representatives:										
Dr. Thomas Duhnkrack, Chairman	10,225.84	1,636.13			11,861.97	2,556.46	409.03			2,965.49
Prof. Dr. Manfred Schölich, Deputy Chairman	7,671.60	1,227.46			8,899.06					
Wolfgang Kirsch	5,112.92	818.07			5,930.99	2,556.46	409.03			2,965.49
Hemjō Klein	5,112.92	818.07			5,930.99					
Employee representatives:										
Lutz Baumgartl	5,112.92				5,112.92					
Axel Clemens	5,112.92				5,112.92	2,556.46				2,556.46
Sabine Meyer	5,112.92				5,112.92					
Member of the Supervisory Board until 10 June 2005:										
Dr. Peter Klaus	2,273.60	363.78			2,637.38	1,136.20	181.79			1,317.99
Hermann Möller	2,273.60	363.78			2,637.38					
Shareholder representatives, domiciled outside Germany: ¹⁾²⁾										
Flemming Robert Jacobs, domiciled in Hurstwood, Surrey, UK Member of the Supervisory Board from 10 June 2005	2,856.21	456.99	1)	856.86	47.13	1,952.22				
Robert Jan van der Burg, domiciled in Dublin, Ireland Member of the Supervisory Board from 10 June 2005 Member of the Credit Committee from 15 July 2005	2,856.21	456.99	1)	856.86	47.13	1,952.22	1,178.81	188.61	1)	353.64
									19.45	805.72
Supervisory Board and Credit Committee:										
	6,141.26	1,713.73		94.25	57,140.96	1,188.47	353.64		19.45	10,611.16
Total – Supervisory Board and Credit Committee:										
										67,752.11

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 of supervisory boards, and solidarity surcharges, are declared by DVB Bank AG and paid directly to the responsible tax office. Both taxes are deducted from Supervisory Board members' remuneration.

The taxes paid by DVB to the tax office amounts to: 1) 2) 3,283.67