

Corporate Governance Report 2006

In Germany, the key Corporate Governance issue during 2006 were the rules providing for the differentiated disclosure of executive board remuneration. Against this background, the German Government Commission passed various amendments to the German Corporate Governance Code (the “Code”) on 12 June 2006.

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

- Fifth Declaration of Compliance for 2006 and 2007 - deviations from the Code’s recommendations;
- remuneration of members of the Board of Managing Directors (section 4.2.3 to 4.2.5 of the Code) and remuneration of the Supervisory Board (section 5.4.7 of the Code);
- purchases and sales of shares in the Company by members of the Board of Managing Directors or the Supervisory Board subject to notification obligations (“Directors’ Dealings”, section 6.6 (1) of the Code), and share ownership of these persons (section 6.6 (2) of the Code); and
- the securities-based incentive scheme “DVB shares” (section 7.1.3 of the Code).

1. Fifth Declaration of Compliance for 2006 and 2007

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

DVB did not comply with the following recommendations of the Code in 2006, and will not comply with them in 2007: section 4.2.3 sentence 7, section 4.2.4 sentence 2, section 5.2 sentence 2 lit. 2, section 5.3.2 sentences 1 and 2, section 5.4.3 sentences 1, 2 and 3, section 5.4.4 sentences 1 and 2, section 5.4.7 sentence 3 lit. 2, and section 7.1.2 sentence 3 lit. 1 and 2.

During 2007, we will not comply with the recommendations of the Code regarding three additional issues:

- Section 4.2.2 sentence 1 of the Code: the remuneration structure of the Board of Managing Directors is discussed and determined by the Executive Committee. The plenary meeting of the Supervisory Board consciously delegated this issue to the Executive Committee. The Chairman of the Executive Committee regularly informs the Supervisory Board about meetings held by the Executive Committee.
- Section 4.2.5 (2) sentence 1 of the Code: a detailed explanation of the specifications of the share option plan for the Board of Managing Directors can be found in the annual report. However, it is impossible to quantify the overall value of the plan, as this value is linked to the RoE of the relevant reference year, and may thus fluctuate.
- Section 6.5 of the Code: the Company is under no obligation, by virtue of capital market laws and regulations, to publish information abroad. This section of the Code is thus not applicable.

On 29 June and 11 September 2006, we published two separate Declarations of Compliance, which can be called up on our website www.dvbbank.com under *Investor Relations – Corporate Governance*.

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

2.1 Overview

The emoluments paid to Board members during 2006 amounted to:

in €'000	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
Total	2,657.2	2,347.8

2.2 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).

2.3 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).

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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.

2.4 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 (in €):

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in €	For Supervisory Board activities				For Credit Committee activities					
	Remuneration Supervisory Board	VAT 16%	Taxes for membership in a supervisory board 30%	Solidarity surcharge 5.5%	Remuneration Supervisory Board	Remuneration Credit Committee	VAT 16%	Taxes for membership in a supervisory board 30%	Solidarity surcharge 5.5%	Remuneration Credit Committee
					Total					Total

Shareholder and employee representatives, domiciled in Germany:

Shareholder representatives:

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					
Hemjö Klein	10,000.00	1,600.00		11,600.00					
Frank Westhoff (since 30 June 2006)	5,000.00			5,000.00					

Employee representatives:

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					

Member of the Supervisory Board until 30 June 2006

Wolfgang Kirsch	5,000.00	800.00		5,800.00	2,500.00	400.00			2,900.00
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Shareholder representatives, domiciled outside Germany: 1) 2)

Flemming Robert Jacobs, domiciled in Hurstwood, Surrey, UK	10,000.00	1,600.00 1)	3,000.00 2)	165.00 2)	6,835.00					
Robert Jan van der Burg, domiciled in Dublin, Ireland	10,000.00	1,600.00 1)	3,000.00 2)	165.00 2)	6,835.00					
Member of the Credit Committee						5,000.00	800.00 1)	1,500.00 2)	82.50 2)	3,417.50

Supervisory Board and Credit Committee

	11,200.00	6,000.00	330.00	106,670.00	2,000.00	1,500.00	82.50	17,117.50
Total								123,787.50

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

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

As at 31 December 2006, the members of the Board of Managing Directors held 4,656 shares in DVB Bank AG, plus options to buy 2,150 shares. During 2005, members of the Board of Managing Directors exercised a total of 1,200 options. The members of the Supervisory Board held 61 shares in DVB Bank AG. Pursuant to section 6.6 (1) of the Code, five notices of purchases or sales by members of the Board of Managing Directors in notional no-par value shares of DVB Bank AG exceeding a value of €5,000 were submitted during 2006: on 9 and 11 January, 14 February and 5 December (Wolfgang Driese, Chairman of the Board of Managing Directors) and 24 August 2006 (Dagfinn Lunde, member of the Board of Managing Directors). These Directors' Dealings were published immediately, pursuant to section 15a of the WpHG, through DGAP (*Deutsche Gesellschaft für Ad-hoc-Publizität*), and on our website www.dvbbank.com under Investor Relations, within the scope of the deadlines.

4. Securities-based incentive system "DVB shares"

DVB Bank AG launched its "DVB shares" employee share ownership programme in 2000. Members of staff purchased a total of 15,464 employee shares, within the scope of five tranches, offered 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. The Bank'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 Annual General Meeting 2000 are met. In 2006, employees exercised a total of 35,765 options. This resulted in a capital increase from conditional capital which was however, not yet entered in the Commercial Register as at 31 December 2006, as an entry is not scheduled before the end of the business year, pursuant to section 201 (1) of the AktG. In the financial statements, the amount issued was allocated to the issued share capital in the amount of €914,317.71 and to the capital reserve in the amount of €3,938,635.14. The "DVB shares" scheme will expire in 2007, and will be replaced by a cash-based incentive scheme from 2008 onwards.