

# Corporate Governance Report 2007

**Public debate on Corporate Governance issues during 2007 included topics such as severance payments for executive staff, transparency in nominations for Supervisory Board members, the European public limited-liability company (*Societas Europaea*), and Compliance. Against this background, the German Government Commission passed various amendments to the German Corporate Governance Code (the “Code”) on 14 June 2007.**

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

1. Sixth Declaration of Compliance for 2007 and 2008 - deviations from the Code's recommendations;
2. 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);
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 (“Directors’ Dealings”, section 6.6 (1) of the Code), and share ownership of these persons (section 6.6 (2) of the Code); and
4. the securities-based incentive scheme “DVB shares” (section 7.1.3 of the Code).

## **1. Sixth Declaration of Compliance for 2007 and 2008**

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 2007, and will not comply with them in 2008: section 4.2.2 sentence 1, section 4.2.5 (2) sentence 1, 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, section 6.5, and section 7.1.2 sentence 3 lit. 1 and 2. An exception to the above refers to section 7.1.2, sentence 3, lit. 2 of the Code, which the Bank intends to comply with in 2008.

During 2008, we will not comply with the recommendations of the Code regarding three additional issues:

- Section 4.2.3 (3) sentence 4 of the Code:  
To date, no caps to the variable components of the remuneration of the Board of Managing Directors have been agreed upon to account for extraordinary, unforeseen events. The Company intends to adhere to this practice. Against the background of continuous growth DVB has benefited from in the expanding global transport markets, the Board of Managing Directors strives to preserve its sustained business growth. Accordingly, no extraordinary and unforeseen events are anticipated, which would have a material impact on the remuneration of the Board of Managing Directors.

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- Section 5.3.3 of the Code:  
The Company's Supervisory Board has not established, and will not establish a nomination committee. Instead, DVB wishes to continue to adhere to its existing procedure, which has proven to be successful: prior to making a proposal for candidates to the Annual General Meeting, preliminary discussions take place amongst the Board of Managing Directors and the Chairman of the Supervisory Board, followed by a detailed discussion by the plenary meeting of the Supervisory Board. DVB Bank AG's Board of Managing Directors has the necessary market expertise and professional know-how regarding candidates who command the greatest extent of Transport Finance expertise, whilst also fulfilling the principles set out in Section 5.4.1 of the Corporate Governance Code, and in the Company's Memorandum and Articles of Association. This multi-level, differentiated process to facilitate the coordination between the Board of Managing Directors and the Supervisory Board has stood the test of time, as demonstrated by the ability of attracting renowned shipping and aviation experts to the Supervisory Board of DVB Bank AG over recent years.
- Section 7.1.2 sentence 3 lit. 1 of the Code:  
Due to constraints regarding the availability of Supervisory Board members, it will not be possible to convene the plenary meeting of the Supervisory Board approving the consolidated financial statements prior to the end of March 2008. The Company will thus not be in a position to publish the consolidated financial statements 2007 within 90 days of the end of the business year. Publication of the consolidated financial statements 2007 is scheduled for the end of April 2008.

The Declaration of Compliance published on 7 December 2007 is available on our website.

## 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 2007 amounted to:

in €'000s	2007	2006
Board of Managing Directors	2,032.2	2,113.9
Supervisory bodies (incl. expenses for taxes of foreign members of the Supervisory Board in the amount of €15.2 thousand)	161.2	135.7
Former members of the Board of Managing Directors and their surviving dependants	423.2	407.6
<b>Total</b>	<b>2,616.6</b>	<b>2,657.2</b>

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### **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, as required in section 285 sentence 1 no. 9a sentences 5-9 of the HGB and section 314 (1) no. 6a sentences 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 51.2% and a variable component of 48.8%. 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 €1,041,498.05 in 2007 (2006: €1,098,129.27).

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 return on equity and cost/income ratio 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 €990,750.00 were distributed to the Board of Managing Directors in 2007 (2006: €1,015,750.00).

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As an additional variable remuneration component providing a long-term incentive, members of the Board of Managing Directors received, between 2000 and 2004, 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 allocated 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. The options could only be exercised after a waiting period of three years (i.e. for the last time in 2007), and only on the condition that DVB's return on equity 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 of DVB Bank AG represents.

In the 2007 business year, members of the Board of Managing Directors exercised a total of 2,150 options for the purchase of DVB Bank AG shares. Members of the Board of Managing Directors did not own any options to purchase shares of DVB Bank AG as at 31 December 2007.

### 2.4 Remuneration of the Supervisory Board

The members of the Supervisory Board receive annual remuneration (incl. taxes) of €107,220.00, 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 €38,735.00, pursuant to section 18 (1) sentence 5 of the Articles of Association, resulting in a total remuneration of €145,955.00.

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Remuneration of the members of the Supervisory Board in 2007 is broken down as follows (in €):

€	For Supervisory Board activities					For Credit Committee activities				
	Remuneration Supervisory Board	VAT	Taxes for membership in a supervisory board	Solidarity surcharge	Remuner- ation Supervisory Board	Remuneration Credit Committee	VAT	Taxes for membership in a supervisory board	Solidarity surcharge	Remuneration Credit Committee
		19.0%	30.0% 3)	5.5% 3)	<b>Total</b>		19.0%	30.0% 3)	5.5% 3)	<b>Total</b>

### Shareholder and employee representatives, domiciled in Germany:

#### Shareholder representatives:

Dr. Thomas Duhnkrack, Chairman	20,000.00	3,800.00		23,800.00	10,000.00	1,900.00		11,900.00
Prof. Dr. Manfred Schölich, Deputy Chairman	15,000.00	2,850.00		17,850.00				
Hemjō Klein	10,000.00	1,900.00		11,900.00				
Frank Westhoff 1)	10,000.00			10,000.00	10,000.00			10,000.00

#### Employee representatives:

Lutz Baumgartl	10,000.00			10,000.00				
Axel Clemens	10,000.00			10,000.00	10,000.00			10,000.00
Sabine Meyer	10,000.00			10,000.00				

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€	For Supervisory Board activities					For Credit Committee activities				
	Remuneration Supervisory Board	VAT	Taxes for membership in a supervisory board	Solidarity surcharge	Remuner- ation Supervisory Board	Remuneration Credit Committee	VAT	Taxes for membership in a supervisory board	Solidarity surcharge	Remuneration Credit Committee
		19.0%	30.0% 3)	5.5% 3)	<b>Total</b>		19.0%	30.0% 3)	5.5% 3)	<b>Total</b>

### Shareholder representatives, domiciled outside Germany: 2) 3)

Flemming Robert Jacobs,										
domiciled in Hurstwood, Surrey, UK	10,000.00	1,900.00 2)	3,000.00	165.00	6,835.00					
Robert Jan van der Burg,										
domiciled in Dublin, Ireland	10,000.00	1,900.00 2)	3,000.00	165.00	6,835.00					
Member of the Credit Committee						10,000.00	1,900.00 2)	3,000.00	165.00	6,835.00
<b>Supervisory Board and Credit Committee</b>					<b>107,220.00</b>					<b>38,735.00</b>
<b>Total – Supervisory Board and Credit Committee</b>										<b>145,955.00</b>

1) Not subject to taxes in 2007.

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

- 2) Value-added tax is declared by DVB Bank AG and paid directly to the responsible tax office.
- 3) Taxes for membership in supervisory boards and solidarity surcharges for Supervisory Board members domiciled in foreign countries 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 mentioned in 2) and 3) paid by DVB on behalf of foreign Supervisory Board members to the tax office amount to:

**€15,195.00**

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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 2007, the members of the Board of Managing Directors held 6,506 shares in DVB Bank AG; in addition, they exercised options to buy 2,150 shares in 2007, within the scope of the 'DVB shares' employee share ownership programme. The members of the Board of Managing Directors received no further options to buy shares upon termination of the 'DVB shares' programme on 31 December 2007. The members of the Supervisory Board held a total of 49 shares in DVB Bank AG.

Pursuant to section 6.6 of the Code, four 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 2007: on 18 September, 5 December, 10 December and 13 December 2007 (Wolfgang F. Driese, Chairman of the Board of Managing Directors). These Directors' Dealings were published immediately, pursuant to section 15 a of the WpHG, through DGAP (*Deutsche Gesellschaft für Ad-hoc-Publizität*), within applicable deadlines. Our website ([http://www.dvbbank.com/de/investor\\_relations/directors\\_dealings/index.html](http://www.dvbbank.com/de/investor_relations/directors_dealings/index.html)) includes a link to DGAP's website where Directors' Dealings notices published by DVB can be viewed.

### 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 121,130 options between 2003 and 2007. Aggregate funds raised under Authorised Capital II and conditional capital from employees' share purchases and options exercises totalled €14.7 million, of which €3.4 million was attributed to statutory issued share capital, and €11.3 million to capital reserves.

A residual amount of 53,310 options under the 'DVB shares' programme was still unexercised as at 31 December 2006, of which 50,060 options were exercised in 2007, given that the financial requirements as defined by the Annual General Meeting 2000 were met.

This resulted in an aggregate of €6,585,393.00 in own funds raised under conditional capital. In the financial statements of DVB Bank AG, the amount issued was allocated to the issued share capital in the amount of €1,279,763.58, and to the capital reserve in the amount of €5,305,629.42.

The capital increase from the exercise of options was registered with the Commercial Register at the Frankfurt/Main District Court (*Amtsgericht Frankfurt am Main*) on 13 February 2008; registration was effected after the end of the 2007 business year in accordance with section 201 (1) of the German Public Limited Companies Act (*Aktiengesetz - "AktG"*).

The 'DVB shares' scheme expired in 2007, and will be replaced by a cash-based incentive scheme from 2008 onwards.