

Consolidated Financial Statements of DVB Group

Consolidated balance sheet as at 31 December 2007

<i>Assets (€ mn)</i>	Note #	31 Dec 2007	31 Dec 2006	%
Cash and balances with the central bank	(27)	276.6	163.0	69.7
Loans and advances to banks	(28)	1,518.8	600.7	–
Loans and advances to customers	(29)	10,124.7	9,339.2	8.4
Allowances for losses on loans and advances	(30)	–113.2	–130.7	–13.4
Positive fair values from derivative hedging instruments	(31)	111.8	172.8	–35.3
Financial assets held for trading	(32)	149.8	96.8	54.8
Investment securities	(33)	190.3	221.9	–14.2
Investments in companies accounted for using the equity method	(34)	34.7	48.1	–27.9
Intangible assets	(35)	89.5	82.0	9.1
Property and equipment	(36)	687.7	469.0	46.6
Income tax assets	(38)	39.3	22.5	74.7
Other assets	(39)	44.5	13.8	–
Total assets		13,154.5	11,099.1	18.5

<i>Equity and liabilities (€ mn)</i>	Note #	31 Dec 2007	31 Dec 2006	%
Deposits from other banks	(40)	4,057.9	2,554.8	58.8
Deposits from customers	(41)	4,362.3	4,033.4	8.2
Securitised liabilities	(42)	2,931.8	3,029.5	-3.2
Negative fair values from derivative hedging instruments	(43)	125.8	59.0	-
Financial liabilities held for trading	(44)	52.2	47.4	10.1
Provisions	(45)	95.5	57.6	65.8
Income tax liabilities	(46)	71.3	42.3	68.6
Other liabilities	(47)	38.9	33.2	17.2
Subordinated liabilities	(48)	625.6	537.1	16.5
Equity	(49)	793.2	704.8	12.5
Issued share capital		99.7	99.5	0.2
Capital reserve		195.8	199.4	-1.8
Retained earnings		456.7	369.9	23.5
thereof: Fund for general banking risks		82.4	82.4	0.0
Revaluation reserve		7.2	20.4	-64.7
Hedging reserve – cash flow hedges		9.0	3.7	-
Currency translation reserve		3.3	-2.9	-
Distributable profit		20.6	12.5	64.8
Minority interests		0.9	2.3	-60.9
Total equity and liabilities		13,154.5	11,099.1	18.5

Consolidated income statement for the period from 1 January to 31 December 2007

€ mn	Note #	1 Jan 2007– 31 Dec 2007	1 Jan 2006– 31 Dec 2006	%
Interest income	(18)	797.4	699.3	14.0
Interest expenses	(18)	607.5	539.8	12.5
Net interest income	(18)	189.9	159.5	19.1
Impairment losses on loans and advances	(19)	20.3	27.8	-27.0
Net interest income after loan losses		169.6	131.7	28.8
Fee and commission income	(20)	92.7	78.7	17.8
Fee and commission expenses	(20)	7.9	6.2	27.4
Net fee and commission income	(20)	84.8	72.5	17.0
Net trading income	(21.1)	-6.2	-1.3	-
Hedge result	(21.2)	-3.8	-1.7	-
Result from the application of the fair value option	(21.3)	0.4	1.7	-76.5
Result from derivatives entered into without intention to trade	(21.4)	-1.4	8.5	-
Net income from investment securities	(21.5)	17.1	5.7	-
Net income from financial instruments in accordance with IAS 39	(21)	6.1	12.9	-52.7
Result from investments in companies accounted for using the equity method	(22)	3.7	4.0	-7.5
General administrative expenses	(23)	147.4	125.4	17.5
Net other operating income/expenses	(24)	1.9	5.8	-67.2
Result from ordinary activities before tax		118.7	101.5	16.9
Income tax expense	(25)	-11.0	-13.0	-15.4
Profit after tax		107.7	88.5	21.7
Minority interest		1.5	1.5	0.0
Consolidated net profit¹⁾		109.2	90.0	21.3
Profit carried forward from the previous years		0.7	0.7	0.0
Transfer to retained earnings		-89.3	-78.2	14.2
Distributable profit		20.6	12.5	64.8

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

Earnings per share

	2007	2006	%
Net profit/loss (€ mn)	109.2	90.0	21.33
Average number of shares outstanding	3,945,329	3,911,461	0.87
Options outstanding at the balance sheet date	0.0	53,310	-100.0
Basic earnings per share (€)	27.67	23.01	20.25
Diluted earnings per share (€)	27.58	22.93	20.28

The outstanding options were exclusively held by DVB employees. There were no outstanding financial instruments with rights to conversion in the business years 2006 and 2007.

Consolidated cash flow statement

€ mn	31 Dec 2007	31 Dec 2006
1. Profit before tax	118.7	101.5
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	20.4	10.1
3. +/- Increase/decrease in provisions	65.3	-47.8
4. Other non-cash income/expenses		
+/- Hedge accounting	-4.8	-1.9
+/- Other changes from the fair value measurement of financial instruments	296.0	-27.5
5. +/- Gains/losses on disposal of investment securities, and property and equipment	-19.6	-11.1
6. +/- Other adjustments (mainly relating to net interest income)	-193.5	-154.6
7. = Subtotal	282.5	-131.3
Changes in assets and liabilities from operating activities		
8. Loans and advances		
+/- to banks	-921.2	279.7
+/- to customers	-1,161.4	7.7
9. +/- Other assets from operating activities	74.2	-376.1
10. Deposits		
+/- from other banks	1,511.4	-361.3
+/- from customers	402.4	554.9
11. +/- Securitised liabilities	-98.1	169.9
12. +/- Other liabilities from operating activities	-0.7	-38.9
13. +/- Interest and dividends received	815.0	696.5
14. - Interest paid	-621.4	-541.8
15. +/- Income taxes paid	-18.9	-13.0
16. = Cash flow from operating activities	263.8	246.3
17. Cash proceeds from the disposal of investment securities	36.6	114.2
18. Cash payments for additions to property and equipment	-238.9	-288.1
19. Cash payments to acquire consolidated companies	-10.8	0.0
20. +/- Net change resulting from other investing activities	-9.4	-5.4
21. = Cash flow from investing activities	-222.5	-179.3
22. + Cash proceeds from additions to equity (capital increases, sale of treasury shares, etc.)	-3.5	-0.1
23. - Cash payments to owners and minority shareholders (dividends)	-11.8	-5.9
24. - Net change resulting from other financing activities	87.6	53.1
25. = Cash flow from financing activities	72.3	47.1
26. = Net change in cash and cash equivalents (total of items 16, 21 and 25)	113.6	114.1
27. = Cash and cash equivalents at beginning of period	163.0	48.9
28. = Cash and cash equivalents at end of period	276.6	163.0

Statement of recognised income and expense

€ mn	2007	2006
Consolidated net profit before minority interest	107.7	88.5
Income and expenses not recognised in the income statement	-4.2	3.8
thereof: from remeasurement of AfS financial instruments	-13.2	-6.2
thereof: from cash flow hedges	5.3	5.1
thereof: from currency translation	6.2	4.3
thereof: from actuarial gains and losses	-2.5	0.6
Total	103.5	92.3

Consolidated statement of changes in equity¹⁾

€ mn	Subscribed Capital	Capital reserve	Retained earnings
IFRS equity as at 1 Jan 2006	99.6	199.5	292.7
Consolidated 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
IFRS equity as at 31 Dec 2006	99.5	199.4	369.9
Consolidated net profit			
Transfer to retained earnings			89.3
Income and expenses not recognised in the income statement			-2.5
Capital increase			
Employee participation scheme	0.9	4.0	
Dividend payment			
Changes in treasury shares	-0.7	-7.6	
Changes in consolidated group and other changes			
IFRS equity as at 31 Dec 2007	99.7	195.8	456.7

1) The statement of changes in equity is part of the notes to the consolidated financial statements.

Revaluation reserve	Hedging reserve – cash flow hedges	Currency translation reserve	Distributable profit/accumulated loss	Equity before minority interest	Minority interests	Equity
26.6	-1.4	-8.0	9.4	618.4	4.2	622.6
			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
20.4	3.7	-2.9	12.5	702.5	2.3	704.8
			109.2	109.2	-1.5	107.7
			-89.3	0.0		0.0
-13.2	5.3	6.2		-4.2		-4.2
				0.0		0.0
				4.9		4.9
			-11.8	-11.8		-11.8
				-8.3		-8.3
				0.0	0.1	0.1
7.2	9.0	3.3	20.6	792.3	0.9	793.2

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Basis of accounting

For the business year 2007, 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 (Handelsgesetzbuch – 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). The standards relevant to the consolidated financial statements are the standards that had been published by the International Accounting Standards Board (IASB) and adopted by the European Union until 31 December 2007.

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 Accounting standards applied for the first time in the reporting period

1.1.1 IFRS 7 – Financial Instruments: Disclosures

IFRS 7 governs the nature and the extent of the disclosures related to financial instruments required to be made in the notes to the consolidated financial statements. The provisions included in IFRS 7 are intended to enable users of financial statements to evaluate the significance of financial instruments for the financial position and performance and the nature and extent of risks arising from the use of such financial instruments.

IFRS 7 does not contain any provisions with regard to recognition and measurement of financial instruments in the balance sheet or in the income statement. The first-time application of IFRS 7 therefore does not have any impact on the presentation of financial instruments in the balance sheet or in the income statement, either in the current year or in future business years.

1.1.2 IFRS 8 – Operating Segments

IFRS 8 governs the preparation of the segment report to be included in IFRS consolidated financial statements, and replaces the previous IAS 14. IFRS 8 is required to be applied for business years beginning on or after 1 January 2009. Early application of IFRS 8 is permitted. DVB uses this option and has prepared the segment report included in the consolidated financial statements for the business year 2007 for the first time in accordance with the provisions of IFRS 8. The comparative figures presented for the business year 2006 were adjusted retrospectively.

1.1.3 IFRIC 9 – Reassessment of Embedded Derivatives

In the business year 2007, we complied for the first time with the provisions of IFRIC 9 “Reassessment of Embedded Derivatives”. IFRIC 9 represents an interpretation of IAS 39 and provides guidance on when a company has to assess whether a combined financial instrument contains embedded derivatives.

The provisions of IFRIC 9 are in line with the established processes used in the past for the assessment of embedded derivatives, pursuant to which the assessment as to whether a combined financial instrument contains derivatives required to be separated is made exclusively at the time of addition. A subsequent reassessment only takes place in case of a material change in the terms of the contract related to the combined financial instrument.

The first-time adoption of IFRIC 9 has no effects on the IFRS consolidated financial statements of DVB.

1.1.4 IFRIC 10 – Interim Financial Reporting and Impairment

In the business year 2007, we complied for the first time with the provisions of IFRIC 10 “Interim Financial Reporting and Impairment”. IFRIC 10 represents an interpretation of IAS 34, IAS 36 and IAS 39. Accordingly, impairment losses recognised in a previous reporting period in respect of goodwill or an investment in either an equity instrument or an asset carried at cost may not be reversed, even if the impairment occurred during an interim reporting period and the reasons for such impairment cease to exist in a subsequent interim reporting period of the same business year.

The first-time adoption of IFRIC 10 did not have any impact on the presentation of DVB’s financial position and performance.

1.1.5 IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions

In the business year 2007, we complied for the first time with the provisions of IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions”. IFRIC 11 deals with various issues in connection with the application of IFRS 2 “Share-based payment”.

The first-time adoption of IFRIC 11 did not have any impact on the presentation of DVB’s financial position and performance.

1.2 Expected impact of financial reporting standards to be applied in future

As at the balance sheet date (31 December 2007), there were no IFRSs or IFRICs issued by the IASB and adopted by the European Union that were not taken into account in the preparation of DVB's consolidated financial statements in accordance with IFRS. The following standards and interpretations issued by the IASB or IFRIC, respectively, until 31 December 2007 have not yet been endorsed by the EU: Amendment to IAS 1 "Presentation of Financial Statements: A Revised Presentation", Amendment to IAS 23 "Borrowing Costs", IFRIC 12 "Service Concession Arrangements", IFRIC 13 "Customer Loyalty Programmes", IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction".

In case these standards or interpretations are endorsed by the EU at a later stage, this would not result in any material effects on the presentation of DVB's financial position and performance.

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 Verpachtung 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., Curaçao, ITF International Transport Finance Suisse AG, Zurich, as well as these companies' subsidiaries. The DVB Bank AG's share in these subsidiaries' capital amounts to 100% each. In addition, DVB Holding GmbH acquired a majority stake amounting to 78.53% in TES Holdings Limited, Cardiff, on 16 July 2007.

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 controls the subsidiary. As part of the initial consolidation of the TES Group, the assets acquired and liabilities assumed were measured at the fair values applicable at the time of initial consolidation in accordance with IFRS 3 and the remeasured proportionate share in equity is offset against the purchased investment. Any remaining excess is reported as goodwill in the balance sheet under intangible assets.

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 VI Ltd., Cayman Islands,
- Deucalion Capital VII Ltd., Cayman 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,
- NFC Shipping Fund B LLC, Marshall Islands,
- Container Investment Fund I LLC, Marshall Islands,
- Container Investment Fund II LLC, Marshall Islands,
- Cruise Finance Investment Fund I LLC, Marshall Islands,
- Stephenson Capital Ltd., Cayman Islands.

As at 31 December 2007, DVB Bank AG had the following equity interests in other companies:

€	Shareholding %	Net profit/loss	Equity
I. Companies included in the consolidated financial statements			
DVB Bank AG, Frankfurt/Main		–	–
DVB LogPay GmbH, Eschborn ¹⁾⁶⁾	100	2,936,245	2,048,400
Euro Toll Service GmbH, Eschborn ¹⁾⁶⁾	75.12		³⁾
DVB Holding GmbH, Frankfurt/Main ¹⁾⁶⁾	100	–899,355	13,000,000
DVB Objektgesellschaft Geschäftsführungs GmbH, Frankfurt/Main	100		³⁾
DVB Objektgesellschaft mbH & Co KG, Frankfurt/Main	100	–1,797	183,658
DVB Service Company (HK) Ltd., Hong Kong	100		³⁾
TES Holdings Ltd., Cardiff	78.53	1,324,558	19,050,368
TES (535 E4) Limited, Cardiff	100		⁷⁾
TES (E4) Limited, Cardiff	100		⁷⁾
TES 757 Ltd., Cardiff	100		⁷⁾
TES Aviation Ltd., Cardiff	100		⁷⁾
TES Aviation Services Ltd., Cardiff	100		⁷⁾
Total Engine Support Ltd., Cardiff	100		⁷⁾
TES Parts Ltd., Cardiff	100		⁷⁾
TES RB 211-535 Ltd., Cardiff	100		⁷⁾
EFPAC Ltd., Cardiff	100		⁷⁾
International Transport Finance Limited, London	100	–4,723,460	8,584,304
Ocean Clementine Ltd. Partnership, London	100		³⁾
Ocean Gwendolen Ltd. Partnership, London	100		³⁾
ITF International Transport Finance Suisse AG, Zurich	100	–1,123,978	19,943,192
Hangar Vermietungs- u. Verpachtungs GmbH, Frankfurt/Main	100	–13,390	25,000
DVB Bank N.V., Rotterdam ²⁾	100	11,921,698	219,701,827
Shipping Capital B.V., The Hague	100	334,388	6,304,465
Everhard Beleggingen B.V., Rotterdam	100	–381,303	–3,219,677
Infifion III B.V., The Hague	100	0	635,292
Nedship Participation (Norway B.V.), Rotterdam	100	174,950	742,577

€

	Shareholding %	Net profit/loss	Equity
I. Companies included in the consolidated financial statements (Continued)			
Scheepvaart Maatschappj Peter B.V., Rotterdam	100	0	45,378
Infifon XI B.V., The Hague	100	0	26,216
Nedship Shipping B.V., Rotterdam	100	810,000	2,126,634
Nedship Scheepvaarthuis B.V., Rotterdam	100	-52,698	-271,844
Scheepvaart Maatschappij Ewout B.V., Rotterdam	100	0	16,788
Hollandse Scheepsbank Hypotheekbank N.V., Rotterdam	100	0	711,043
Nedship Financial Consultants E.P.E., Piraeus	100	1,327	42,741
DVB Bank America N.V., Curaçao ²⁾	100	77,422,513	124,281,116
Shipping Capital Antilles N.V., Curaçao	100		⁷⁾
DVB Container Finance America LLC, Majuro	100		⁷⁾
Netherlands Shipmortgage Corporation Ltd., Hamilton	100		⁷⁾
AER Holdings N.V., Curaçao	100		⁷⁾
DVB Shipping Management N.V., Curaçao	100		⁷⁾
DVB Group Merchant Bank (Asia) Ltd., Singapore ²⁾	100	21,182,870	104,523,740
DVB Container Finance Asia Pte. Ltd., Singapore	100	-159,717	-161,081
DVB Aviation Finance Asia Pte. Ltd., Singapore	100	973,362	-990,444
Ibon Leasing Limited, Grand Cayman	100		³⁾
Longspur Limited, Grand Cayman	100		³⁾
DVB Holding (US) Inc., New York	100	-492,899	1,453,439
DVB Capital Markets LLC, New York	100		⁷⁾
DVB Transport (US) LLC, New York	100		⁷⁾
DVB Service (US) LLC, New York	100	0	135,860
II. Subsidiaries not included in the consolidated financial statements⁴⁾			
Aran Airfinance Ltd., Tokyo	100		³⁾
Blasket Airfinance Ltd., Tokyo	100		³⁾
Gola Airfinance Ltd., Tokyo	100		³⁾
Rathin Airfinance Ltd., Tokyo	100		³⁾

€

Shareholding
%Net
profit/loss

Equity

III. Associated companies not included in the consolidated financial statements⁴⁾

DVL Deutsche Verkehrs-Leasing GmbH, Eschborn	39		³⁾
Leuvestein V.O.F., Rotterdam	33.33	–	0
West Supply III AS, Haugesund	22.22	–	63,562
West Supply III KS, Haugesund	20	–	535,382
Aviateur Capital Ltd., Dublin	20		³⁾
Anna Elisabeth B.V., Veere	20	0	17,570
Anna Gabriele B.V., Veere	20	0	17,570
Anna Catharine B.V., Veere	20	0	17,570
Anna Constance B.V., Veere	20	0	17,570

IV. Equity investments

OOCL Shipping B.V., Rotterdam ⁵⁾	37.5	–	18,964,065
MALC Lease Eleven B.V., Amstelveen ⁵⁾	25	–	10,542,733
MALC Lease Twelve B.V., Amstelveen ⁵⁾	25	–	12,232,649
MALC Lease Thirteen B.V., Amsterdam ⁵⁾	25	–	9,632,916

V. Investment securities

KRAVAG-HOLDING AG, Hamburg	10		³⁾
Liquiditäts-Konsortialbank GmbH, Frankfurt/Main	0.23		³⁾
Münchener Hypothekenbank eG, Munich	500 shares		³⁾
DG Verlag Deutsche 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.

7) Net profit and shareholders' equity have been accounted for by the parent sub-group.

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 offset. Intra-group profits are eliminated. 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 DVB is the euro. Functional currency is the currency of the primary economic environment in which the company operates. At the DVB 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. As at the balance sheet date, DVB did not have any non-derivative financial assets held for trading. 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.

The change in the fair value of assets designated as at fair value through profit or loss attributable to changes in credit risk is determined in accordance with the method described in IFRS 7.9(c)(i). For this purpose, the changes on the basis of the full fair value are compared with the changes in value in the case of constant credit spreads. The financial assets designated as at fair value through profit or loss were of minor significance at the DVB Group both in the year under review and in the prior year and amount to less than €0.1 million in total. They are exclusively attributable to the narrowing of credit spreads based on the passage of time, and not to changes in ratings.

1.5.2 Held-to-maturity investments

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

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 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 as 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 impairment has occurred. 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. As at the balance sheet date, DVB did not have any non-derivative financial liabilities held for trading. 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.

The change in the fair value of liabilities designated as at fair value through profit or loss attributable to changes in the DVB Group's credit risk is determined in accordance with the method described in IFRS 7.9(c)(i). For this purpose, the changes on the basis of the full fair value are compared with the changes in value in the case of constant credit spreads. The financial liabilities designated as at fair value through profit or loss were of minor significance at the DVB Group both in the year under review and in the prior year, and amount to less than €0.1 million in total. They are exclusively attributable to the narrowing of credit spreads based on the passage of time, and not to changes in ratings.

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". Other liabilities are measured at amortised cost using the effective interest method. Accordingly, premiums and discounts are amortised over the term of the assets and recognised as interest expense.

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 derecognised when there are no longer any rights to receive payments in future, or when such rights have been transferred to third parties and DVB 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. The following factors are used as objective evidence: delinquency in interest or principal payments, payment defaults, breaches of material contractual terms in connection with the provision of collateral, certain restructuring measures by customers, impending insolvency, a deterioration of the credit rating within a reporting period by more than two grades or below a defined level, as well as other factors.

In order to determine the actual amount of the impairment of 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 recognised in profit or loss 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, (a) when their economic characteristics and risks are not closely related with the economic characteristics and risks of the host contract, (b) if a separate instrument with the same terms would meet the definition of a derivative, and (c) if 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 DVB, there are currently no embedded derivatives which are required to be separated.

1.7 Hedge accounting

Within the framework of DVB's risk management strategy, the Company 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 derivative hedging instruments 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 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 itself, 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 income 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 with 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 DVB, 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 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 an impairment exists. 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. Judgement 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 costs to sell, 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 costs to sell is below the carrying amount. In case of a subsequent increase in the fair value less costs to sell, 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. Measurement is based on nominal values.

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 derivative hedging instruments 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 subsidiaries and investments in associates not accounted for using the equity method.

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" – especially small quantities of bearer bonds not listed in an active market – are measured at amortised cost.

6. Investments in companies accounted for using the equity method

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 in companies accounted for using the equity method.

If there are indications of an impairment of the interests held in a company accounted for using the equity method, 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 in companies accounted for using the equity method".

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, assets held under operating leases (including but not limited to ships, aircraft, aircraft engines and shipping containers), leasehold improvements as well as operating and office equipment. Items of property and equipment are initially recognised at cost. The cost includes the purchase price as well as transaction costs in the form of fees/commissions paid and capitalised borrowing costs in accordance with IAS 23. Subsequent measurement for items of property and equipment is based on their 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	7–29 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.

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), DVB 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 2007, 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 December 2006, the Board of Managing Directors of DVB Bank AG decided to discontinue the financing business in the Transport Infrastructure Finance segment and to sell the loan portfolio with a volume of approximately €0.67 billion. The sale planned at that time had to be reported in the consolidated financial statements for the business year 2006 as a discontinued operation.

In April 2007, the Board of Managing Directors of DVB Bank AG decided to discontinue negotiations with regard to the disposal of its Transport Infrastructure business with interested financial institutions. For the related credit exposures, the Company will rely on a managed expiration policy since the resulting earnings contributions will be higher than the proceeds to be generated from a sale. Accordingly, a reclassification of the Transport Infrastructure portfolio was already stated in the Half-Yearly Financial Report 2007, and in the Interim Management Statement for the second half of 2007. As previously, the loans and advances are reported in the balance sheet as loans and advances to customers, and the convertible bond is shown as investment securities.

The results generated in the Transport Infrastructure Finance business will no longer be reported separately in the income statement, in the result from discontinued operations.

The comparative information presented in the financial statements was adjusted accordingly.

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 when they occur.

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 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 remeasurement. 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

In 2007, DVB employees subscribed for 50,060 shares (2006: 35,765 shares) to be issued from contingent capital (pursuant to section 4b of the Articles of Association) through the exercise of options under the "DVB shares" employee participation scheme. However, the capital increase from contingent capital (section 4b of the Articles of Association) had not been registered with the Register of Companies (*Handelsregister*) until 31 December 2007, since the new shares have to be "submitted for registration with the Register of Companies only within one month after the end of the business year", pursuant to section 201 (1) of the German Stock Corporation Act (*Aktiengesetz – AktG*). Upon registration of the capital increase with the Register of Companies on 13 February 2008, the issue price was included in the issued share capital at an amount of €1,279,763.58 and in the capital reserve at an amount of €5,305,629.42.

Of the total amount of options granted between 2003 and 2007 (154,428), an aggregate amount of 121,130 options was exercised under the "DVB shares" employee participation scheme. The "DVB shares" scheme expired upon the exercise of options in 2007 and will be replaced by DVB's Long-Term Incentive Plan (LTI) in 2008.

Under the LTI programme, a bonus will be paid to employees who were employed by the Company as at a particular date. This bonus will be disbursed after a predetermined waiting period, provided that the target results are achieved in the year prior to disbursement. The indicator used for this programme is RoE (Return on Equity), as previously for the "DVB shares" scheme.

Notes to the consolidated income statement

18. Net interest income

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

€ mn	2007	2006	%
Interest income from			
lending and money market transactions	701.5	602.5	16.4
bonds and other fixed-income securities	5.6	6.5	-13.9
operating leases	67.8	57.4	18.1
current income from finance leases	5.0	21.7	-77.0
Current income from			
equities and other non-fixed-income securities	0.0	2.2	-
equity investments and other investment securities	17.5	9.0	94.4
Total interest income	797.4	699.3	14.0
Interest expenses for			
deposits	398.3	366.4	8.7
securitised liabilities	144.4	113.8	26.9
subordinated liabilities	38.4	32.5	18.2
operating leases	26.4	27.1	-2.6
Total interest expenses	607.5	539.8	12.5
Total net interest income	189.9	159.5	19.1

The transfer of the hedging reserve for cash flow hedges to the income statement, due to the receipt of hedged interest payments denominated in US-dollar, resulted in income of €3 million (2006: 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.

Interest income from financial instruments not measured at fair value through profit or loss amounts to €706.4 million (2006: €608.0 million), and interest expense amounts to €571.2 million (2006: €467.9 million).

Net interest income includes interest income in the amount of €13.9 million (2006: €5.8 million) attributable to impaired loans and advances.

19. Impairment losses on loans and advances

The impairment losses on loans and advances changed as follows:

€ mn	2007	2006	%
Additions	40.0	39.7	0.8
Reversals	20.6	12.6	63.5
Direct write-offs	1.0	1.0	0.0
Recoveries on loans and advances previously written off	0.1	0.3	-66.7
Total	20.3	27.8	-27.0

The distribution of impairment losses on loans and advances by business division is described in the Risk Report of the Management Report.

20. Net fee and commission income

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

€ mn	2007	2006	%
Fee and commission income from			
payment transactions	1.2	0.7	71.4
guarantees and indemnities	2.3	1.5	53.3
the lending business	75.2	62.5	20.3
Other fee and commission income	14.0	14.0	0.0
Total fee and commission income	92.7	78.7	17.8
Fee and commission expenses from			
the securities business	0.0	0.0	–
payment transactions	0.3	0.2	50.0
guarantees and indemnities	1.2	1.3	–7.7
the lending business	1.3	2.6	–50.0
Other fee and commission expenses	5.1	2.1	–
Total fee and commission expenses	7.9	6.2	27.4
Total net fee and commission income	84.8	72.5	17.0

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.

Fee and commission income from financial instruments not measured at fair value through profit or loss amounts to €75.2 million (2006: €62.5 million), and fee and commission expenses amounts to €1.3 million (2006: €2.6 million).

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

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.

€ mn	2007	2006	%
Net trading income	-6.2	-1.3	-
Hedge result	-3.8	-1.7	-
Result from the application of the fair value option	0.4	1.7	-79.5
Result from derivatives entered into without intention to trade	-1.4	8.5	-
Net income from investment securities	17.1	5.7	-
Net income from financial instruments in accordance with IAS 39	6.1	12.9	-52.7

21.1 Net trading income

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

€ mn	2007	2006	%
Net trading income from			
Derivatives	-3.0	-3.6	-16.7
Foreign currency transactions	-4.8	0.5	-
Interest and dividend payments	1.3	1.8	-27.8
Other	0.3	0.0	-
Total	-6.2	-1.3	-

A result from re-measurement reported in net trading income amounting to €-6.2 million (prior year: €-1.3 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	2007	2006	%
Result from re-measurement			
Result from derivatives	-136.3	-155.4	-12.3
Result from hedged items	132.5	153.7	-13.8
Result from re-measurement	-3.8	-1.7	-
Realised result	0.0	0.0	-
Total	-3.8	-1.7	-

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 result from re-measurement of derivatives, to the extent that such changes relate to the ineffective portion of the hedge.

The entire result from remeasurement of hedging relationships, amounting to €-3.8 million (2006: €-1.7 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 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	2007	2006	%
Items designated as at fair value through profit or loss			
Loans and advances	3.9	8.9	-56.2
Securitised liabilities and subordinated loans	0.3	0.5	-40.0
Economic derivative hedging instruments	-3.8	-7.7	-50.7
Total	0.4	1.7	-76.5

The entire remeasurement result from the application of the fair value option, amounting to €0.4 million (2006: €1.7 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 remeasurement of economic derivative hedging instruments which are not part of an effective hedging relationship with regard to transactions in the banking book in accordance with IAS 39.

€ mn	2007	2006	%
Interest-rate derivatives	-1.4	8.5	-
Total	-1.4	8.5	-

The entire result from remeasurement of derivatives entered into without intention to trade, amounting to €-1.4 million (2006: €8.5 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	2007	2006	%
Result from			
investment securities measured at amortised cost	0.2	1.0	-80.0
investment securities available for sale	16.9	9.5	77.9
equity investments	0.0	-4.8	-
Total	17.1	5.7	-

Net income from investment securities for the business year 2007, as well as for the prior year, does not include results from remeasurement arising from the application of measurement models.

22. Result from investments in companies accounted for using the equity method

The result from investments in companies accounted for using the equity method can be broken down as follows in the business year 2007:

€ mn	2007	2006	%
Result from investments accounted for using the equity method			
Interests in joint ventures	3.7	4.5	-17.8
Investments in associates	0.0	-0.5	-
Total	3.7	4.0	-7.5

23. General administrative expenses

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

€ mn	2007	2006	%
Staff expenses			
Wages and salaries	74.3	58.8	26.4
Social security contributions	5.5	5.0	10.0
Expenses for pensions and other employee benefits	8.2	7.6	7.9
Total staff expenses	88.0	71.4	23.3
Non-staff expenses			
Expenses for hired workers	1.5	1.1	36.4
Contributions and fees	4.6	5.7	-19.3
Legal and auditing fees	7.2	5.7	26.3
Other advisory services (incl. IT advisory)	9.1	9.4	-3.2
IT costs	1.3	1.2	8.3
Occupancy expenses	10.6	8.5	24.7
Procurement of information	2.3	2.4	-4.2
Public relations	0.4	0.2	100.0
Ancillary labour costs	10.5	9.1	15.4
Other non-staff expenses	6.9	4.3	60.5
Total non-staff expenses	54.4	47.6	14.3
Depreciation, amortisation, impairment and write-ups			
Property and equipment, and investment property	3.2	3.4	-5.9
Intangible assets	1.8	3.0	-40.0
Total depreciation, amortisation, impairment and write-ups	5.0	6.4	-21.9
Total general administrative expenses	147.4	125.4	17.5

Legal and auditing fees include fees for auditors in the amount of €1.2 million (2006: €1.3 million). These fees are comprised of the following individual items:

€ mn	2007	2006	%
Auditing fees	1.0	1.0	–
Other testation and valuation services	0.0	0.1	–
Tax advisory services	0.1	0.1	–
Other services	0.1	0.1	–
Total fees for auditors	1.2	1.3	-7.7

24. Net other operating income

Net other operating income was as follows:

€ mn	2007	2006	%
Income from			
the disposal of property and equipment, and investment property	2.5	0.7	–
rents	0.8	1.0	–20.0
the reversal of provisions	2.6	8.8	–
the recovery of taxes not related to income	0.3	0.3	–
Miscellaneous other operating income	7.9	1.7	–
Total other operating income	14.1	12.5	12.8
Losses from the disposal of property and equipment, and investment property	0.8	1.4	–42.9
Expenses for additions to provisions	0.0	–1.1	–
Cost of loss absorption	0.0	0.2	–
Expenses for taxes not related to income	0.6	0.3	–
Miscellaneous other operating expenses	10.8	5.9	83.1
Total other operating expenses	12.2	6.7	82.1
Total net other operating income	1.9	5.8	–67.2

25. Income taxes

Income taxes were as follows in the year under review:

€ mn	2007	2006	%
Current income taxes			
for the current year	-18.9	-12.6	50.0
for prior years	0.0	0.7	-
Deferred income taxes			
from temporary differences	7.9	-1.1	-
Total income taxes	-11.0	-13.0	-15.4

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

€ mn	2007	2006	%
Profit before tax	118.7	101.5	17.0
Tax rate in the Group (%)	40.9	40.9	–
Expected income tax expense	48.5	41.5	17.0
Tax effects on permanent differences	2.8	–17.7	–
Tax rate differences with regard to earnings components that are subject to taxation in other countries	32.2	40.1	–19.7
Tax decreases/increases due to changes in tax rates	2.5	–0.1	–
Unrecognised deferred tax assets on tax loss carryforwards	0.0	5.5	–
Current tax expense/income relating to prior periods	0.0	0.7	–
Total tax effects	37.5	28.5	31.6
Income taxes	–11.0	–13.0	–15.4
Reported income taxes			
Current taxes	–18.9	–11.9	58.8
Deferred taxes	7.9	–1.1	–
Total	–11.0	–13.0	–15.4

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% (2006: 40.86%).

The corporate income tax rate applicable in Germany will be reduced from 25% to 15% pursuant to the German Act on the Business Tax Reform 2008, which came into force on 17 August 2007. Beside other changes related to trade tax, the tax reform will result in a reduction of the overall tax rate from 40.86% to 32.98% as at 1 January 2008.

In accordance with the provisions of IAS 12, deferred taxes are measured as at the balance sheet date using the tax rates expected to be applicable as at the time of realisation. The reduction of the relevant tax rate for the business year 2007 results in a deferred tax income in the amount of €2.5 million.

26. Segment reporting

26.1 General information on segment reporting

The segment report for the DVB Group is prepared in accordance with IFRS 8, which is required to be applied for the first time for business years beginning on or after 1 January 2009. However, DVB uses the option provided by IFRS 8 with respect to first-time application for the business year 2007. The prior-year figures were adjusted, if necessary.

The segment report of DVB is prepared based upon the internal management report system, and thus follows the "management approach" required by IFRS 8. Accordingly, external reporting has to present that segment information which is also used for controlling the company and for reporting to its chief operating decision makers.

26.2 Segmentation, reconciliation and consolidation

DVB focuses on its core segments: Shipping, Aviation, Land Transport Finance and Investment Management. These segments are shown under the Transport Finance segment in order to provide supplementary information. The other activities, reconciliation items, as well as amounts from consolidation adjustments, are reported under "Other/Reconciliation/Consolidation".

The segments Shipping, Aviation and Land Transport include the traditional Structured Asset Financing activities that are part of each of these transport sectors. The traditional business with collateralised loans is supplemented with advisory services and complex structured financings. Each segment has its own risk management and research functions.

The Investment Management segment comprises all fund management activities as well as transactions where DVB holds a stake in the equity capital of companies.

In the business year 2007, the former Corporate Finance & Capital Market Products segment was discontinued and the advisory, securitisation and capital market activities were allocated to the business division Shipping, while the fund management activities were merged with the Investment Management division.

The other, smaller activities of DVB and those business areas that are intended to be discontinued (D-Marketing and Transport Infrastructure Finance) are included in the column "Other/Reconciliation/Consolidation". In addition, this segment includes those investments that are not allocated to the operating entities, as well as income from treasury transactions related to liquidity and capital structure management. It also includes the

central support and management functions, as well as significant overheads which DVB does not allocate to the operating entities. The segment also comprises expenses and income that are necessary in order to reconcile financial indicators used for internal management accounting, which are shown in the segment report of the operating business units, with the corresponding data from external financial reporting, as well as amounts from consolidation adjustments.

26.3 Segment results by region

DVB manages its business activities exclusively by business divisions. Each business division operates on a global scale. Therefore, the Bank does not follow regional management approaches, and thus does not present information on geographical segment results due to the minor relevance and the inappropriately high effort to collect data.

26.4 Methodology of presentation and measurement principles

Income and expenses are generally reported at market prices, and allocated to the responsible business division. Interest income and expenses are allocated to the relevant segments using the market interest rates. Costs are only allocated to the operating business divisions of DVB for which they are directly responsible. General costs of operations, overheads or, for example, IT costs are not allocated to the operating business divisions. In addition, DVB's internal management reporting does not take into account taxes on income.

Income or costs from trading activities and exchange rate hedging (hedge accounting) are not allocated to the segments, since central functions are responsible for such transactions. Only in exceptional cases do business divisions cause such transactions to be performed (Investment Management).

Inter-segmental, intra-group transactions are only undertaken to an insignificant degree, and are entered into on an arm's length basis.

Since the interest result of the segments is determined on a net basis primarily on the basis of market interest rates and, moreover, internal service relationships only exist to an insignificant degree, consolidation adjustments are necessary only in an insignificant amount. They are reported under "Other/Reconciliation/Consolidation". In accordance with IFRS 8.23, gross interest income (before deduction interest expense) is not disclosed; this is due to the fact that the majority of revenues generated by the various segments are from interest, and internal management processes are based on net interest income.

Investment income of equity capital is allocated to net interest income of the relevant segment in relation to the average allocated equity. The interest rate used is a market rate which is typical for the refinancing of DVB; allocation of capital is based on risk-weighted assets.

The assets of DVB's segments exclusively comprise risk-weighted assets. These will be calculated in accordance with *Grundsatz I* pursuant to the German Banking Act (*Kreditwesengesetz*) (Basel I). Transition to the so-called Basel II approach is planned.

The success of each segment is determined on the basis of pre-tax earnings (result from ordinary activities) as well as the return on equity and cost/income ratio indicators.

	€ mn													
	Group		Transport Finance		Shipping		Aviation		Land Transport		Investment Management		Other/ Reconciliation/ Consolidation	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net interest income after loan losses	169.6	131.7	146.1	120.8	62.7	46.7	45.8	33.7	6.2	9.0	31.4	31.4	23.5	10.9
Net interest income	189.9	159.5	160.3	143.8	71.0	54.5	48.2	48.9	9.7	9.0	31.4	31.4	29.6	15.7
Impairment losses on loans and advances	-20.3	-27.8	-14.2	-23.0	-8.3	-7.8	-2.4	-15.2	-3.5	0.0	0.0	0.0	-6.1	-4.8
Net fee and commission income	84.8	72.5	78.9	61.9	60.7	41.5	21.1	19.4	2.2	2.5	-5.1	-1.5	5.9	10.6
Net income from financial instruments in accordance with IAS 39	6.1	12.9	17.5	5.0	3.5	1.3	1.3	0.0	0.4	0.0	12.3	3.7	-11.4	7.9
Result from investments in companies accounted for using the equity method	3.7	4.0	3.7	4.0	0.0	0.0	0.0	0.0	0.0	0.0	3.7	4.0	0.0	0.0
Net other operating income/expenses	1.9	5.8	-0.2	-5.4	-2.1	0.2	1.4	-0.1	0.3	0.3	0.2	-5.8	2.1	11.2
Income	266.1	226.9	246.0	186.3	124.8	89.7	69.6	53.0	9.1	11.8	42.5	31.8	20.1	40.6
General administrative expenses	-147.4	-125.4	-59.3	-53.3	-31.1	-26.3	-12.2	-9.2	-3.1	-2.9	-12.9	-14.9	-88.1	-72.1
Staff expenses	-88.0	-71.4	-42.8	-36.4	-25.5	-21.1	-8.8	-7.3	-2.6	-2.4	-5.9	-5.6	-45.2	-35.0
Non-staff expenses incl. depreciation/amortisation/impairment	-59.4	-54.0	-16.5	-16.9	-5.6	-5.2	-3.4	-1.9	-0.5	-0.5	-7.0	-9.3	-42.9	-37.1
Result from ordinary activities before tax	118.7	101.5	186.7	133.0	93.7	63.4	57.4	43.8	6.0	8.9	29.6	16.9	-68.0	-31.5
Risk-weighted assets (average)	11,815.7	10,427.6	10,732.1	9,307.8	6,388.7	5,070.0	3,125.2	3,072.2	921.2	867.0	297.0	298.6	1,083.6	1,119.8
Capital (average)	588.7	513.5	534.7	458.4	318.3	249.7	155.7	151.3	45.9	42.7	14.8	14.7	54.0	55.1
Cost/income ratio (without impairment losses on loans and advances)	51.2%	48.9%	22.7%	25.3%	23.4%	27.0%	16.9%	13.5%	24.6%	24.6%	29.3%	44.8%	335.7%	158.7%
Return on equity (before taxes)	20.4%	20.1%	35.2%	29.3%	29.4%	25.4%	36.9%	28.9%	13.1%	20.8%	209.9%	125.0%	-125.8%	-57.1%

Notes to the balance sheet

27. Cash and balances with the central bank

€ mn	2007	2006	%
Balance with central banks	276.6	163.0	69.7
Total	276.6	163.0	69.7

This item includes a minimum reserve requirement in the amount of €36.0 million (2006: €29.3 million).

28. Loans and advances to banks

€ mn	2007	2006	%
Loans and advances	146.8	138.2	6.2
thereof: payable on demand	127.4	117.7	8.2
thereof: with a limited term	19.4	20.5	-5.4
Money market transactions	1,371.9	462.5	-
thereof: payable on demand	66.9	177.5	-62.3
thereof: with a limited term	1,305.0	285.0	-
Other loans and advances to banks	0.1	0.0	-
Total	1,518.8	600.7	-
German banks	1,208.4	243.7	-
Foreign banks	310.4	357.0	-13.1
Total	1,518.8	600.7	-

29. Loans and advances to customers

€ mn	2007	2006	%
Loans and advances	10,098.8	9,335.9	8.2
thereof: payable on demand	83.4	105.6	-21.0
thereof: with a limited term	10,015.4	9,230.3	8.5
Money market transactions	16.7	3.3	-
thereof: payable on demand	16.7	3.3	-
thereof: with a limited term	0.0	0.0	-
Other loans and advances to customers	9.2	0.0	-
Total	10,124.7	9,339.2	8.4
German customers	1,135.0	1,048.5	8.3
Foreign customers	8,989.7	8,290.7	8.4
Total	10,124.7	9,339.2	8.4

Loans and advances include items with a carrying amount of €13.2 million (2006: €17.1 million). These loans and advances are measured at fair value through profit or loss under the fair value option.

As at 31 December 2007, 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 with a limited term, in an amount of €191.3 million (2006: €263.1 million). As at 31 December 2007, there were no lease payments outstanding.

€ mn	2007	2006	%
Total lease payments	249.1	349.7	-28.8
Guaranteed residual value	8.3	56.3	-85.3
Gross investment value	257.4	406.0	-36.6
thereof: within 1 year	30.0	51.4	-41.6
thereof: within 1 to 5 years	116.9	201.3	-41.9
thereof: after more than 5 years	110.5	153.3	-27.9
Total gross investment	257.4	406.0	-36.8
Less unearned finance income	66.1	142.9	-53.7
Total net investment	191.3	263.1	-27.3
thereof: within 1 year	30.0	51.4	-41.6
thereof: within 1 to 5 years	80.2	123.2	-34.9
thereof: after more than 5 years	81.1	88.5	-8.4

30. 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 yet identified, a portfolio-based valuation allowance (portfolio impairment) is recognised on the basis of historical experience. Allowances for country risks were not required.

€ mn	Specific valuation allowances		Portfolio impairment		Total	
	2007	2006	2007	2006	2007	2006
Balance as at 1 Jan	123.7	115.0	7.0	5.9	130.7	120.9
Additions	39.7	37.7	1.2	3.0	40.9	40.7
Reversals	52.1	23.6	0.2	1.9	52.3	25.5
thereof: utilised	31.8	13.9	-	-	31.8	13.9
thereof: released	20.3	9.7	0.2	1.9	20.5	11.6
Changes in consolidated group and other adjustments	-	-	-	-	-	-
Changes resulting from exchange rate fluctuations	-6.1	-5.4	-	-	-6.1	-5.4
Balance as at 31 Dec	105.2	123.7	8.0	7.0	113.2	130.7

The allowance for losses on loans and advances of €113.2 million (2006: €130.7 million) exclusively relates to loans and advances to customers.

The distribution of the allowance for losses on loans and advances by business division is described in the risk report.

31. Positive fair values of derivative hedging instruments

€ mn	2007	2006	%
Hedging instruments with positive fair values			
Interest rate products	100.2	168.6	-40.6
Currency-related products	11.6	4.2	-
Total	111.8	172.8	-35.3

32. Financial assets held for trading

€ mn	2007	2006	%
Derivative financial instruments with positive fair values			
Interest rate products	43.2	43.8	-1.4
Currency-related products	104.5	53.0	97.2
Other products	2.1	0.0	-
Total	149.8	96.8	54.8

33. Investment securities

€ mn	2007	2006	%
Bonds and other fixed-income securities	116.0	117.9	-1.6
thereof: bonds and notes	116.0	117.9	-1.6
Equities and other non-fixed-income securities	21.5	29.1	-26.1
Equity investments	52.8	73.2	-27.9
Shares in unconsolidated, affiliated companies	0.0	1.7	-
Total	190.3	221.9	-14.2

Equity investments also include equity instruments measured at cost in an amount of €52.8 million (2006: €67.1 million). Market prices could not be identified on an active market, and fair values could not be reliably estimated for these instruments.

Gains/losses from the disposal of equity instruments measured at cost were recognised in profit or loss in the amount of €0 million (2006: €1.0 million).

34. Investments in companies accounted for using the equity method

€ mn	2007	2006	%
Investments in associates	24.3	17.7	37.3
Interests in joint ventures	10.4	30.4	-65.9
Total	34.7	48.1	-27.9

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

35. Intangible assets

€ mn	2007	2006	%
Goodwill	84.3	78.5	7.4
Other intangible assets	5.2	3.5	48.6
Total	89.5	82.0	9.2

Goodwill increased as a result of the acquisition of TES Aviation Group.

36. Property and equipment

€ mn	2007	2006	%
Land and buildings	7.5	5.1	47.1
Investment property	0.0	6.7	–
Operating and office equipment	4.6	4.2	9.5
Assets held under operating leases	673.4	451.5	49.2
Other property and equipment	2.2	1.5	46.7
Total	687.7	469.0	46.6

As at 31 December 2007, Group companies were lessors for ships, aircraft, aircraft engines and shipping containers provided under operating leases. The lease term was six to ten years for ships, three to 21 years for aircraft, one to seven years for aircraft engines, and eleven years for shipping containers.

During the year under review, borrowing costs for qualifying assets in operating leases in accordance with IAS 23 were capitalised in the amount of €1.1 million (2006: €0 million). In addition, payments of agency commissions and legal fees in the amount of €4.0 million (2006: €0 million) were included in the cost.

The sum of future minimum lease payments as at 31 December 2007 is as follows:

€ mn	2007	2006	%
Total future minimum lease payments			
due within 1 year	56.3	58.2	-3.3
due within 1 to 5 years	217.8	186.8	16.6
due after more than 5 years	100.2	64.8	54.6
Total	374.3	309.8	20.8

37. 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 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 €0.7 million (2006: €0.9 million).

€ mn

	Cost as at 1 Jan	Additions at cost	Disposals at cost	Reclassi- fications	Exchange rate changes	Cost as at 31 Dec	Write-ups
Land and buildings	9.7	0.4	0.0	0.0	0.0	10.1	0.0
Investment property	4.8	0.0	4.8	0.0	0.0	0.0	0.0
Operating and office equipment	17.5	2.4	0.9	0.3	0.0	19.3	0.0
Leased assets	496.7	442.8	157.2	-14.9	-51.7	715.7	0.0
Other property and equipment	1.5	1.8	12.3	12.4	-1.2	2.2	1.6
Intangible assets (excl. goodwill)	14.9	1.8	7.6	2.2	0.0	11.3	0.0
Goodwill	78.5	8.6	2.8	0.0	0.0	84.3	0.0
Total	623.6	457.8	185.6	0.0	-52.9	842.9	1.6

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 prior year
0.2	2.4	0.0	0.0	2.6	7.5	7.3
0.1	0.3	0.4	0.0	0.0	0.0	4.5
2.2	13.3	0.8	0.0	14.7	4.6	4.2
24.9	45.2	22.8	-5.0	42.3	673.4	451.5
0.6	0.0	-1.3	-0.3	0.0	2.2	1.5
2.2	11.4	7.5	0.0	6.1	5.2	3.5
0.0	0.0	0.0	0.0	0.0	84.3	78.5
30.2	72.6	30.2	-5.3	65.7	777.2	551.0

38. Income tax assets

€ mn	2007	2006	%
Current income tax assets			
Germany	0.1	0.6	-83.3
Foreign countries	2.9	1.3	-
Deferred income tax assets			
Temporary differences	36.3	20.6	76.2
Loss carryforwards	0.0	0.0	-
Total	39.3	22.5	74.7

No deferred tax assets were recognised in the Group on tax loss carryforwards in the amount of €20.3 million (2006: €36.7 million), since DVB 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	2007	2006	%
Financial assets held for trading	30.5	0.0	–
Loans and advances to banks and customers, incl. allowances for losses on loans and advances	0.2	3.6	–94.4
Deposits from customers and other banks	1.5	9.0	–83.3
Securitised liabilities	0.1	0.0	–
Provisions	2.9	0.0	–
Other balance sheet items	1.1	8.0	–86.3
Total	36.3	20.6	76.2

39. Other assets

€ mn	2007	2006	%
Other tax receivables	1.2	1.2	–
Advance payments and prepaid expenses	3.3	1.1	–
Miscellaneous other assets	40.0	11.5	–
Total	44.5	13.8	–

40. Deposits from other banks

€ mn	2007	2006	%
Loans and advances	2,719.7	1,336.3	–
thereof: payable on demand	40.6	54.6	–25.6
thereof: with a limited term	2,679.1	1,281.7	–
Money market transactions	1,336.3	1,218.5	9.7
thereof: payable on demand	551.0	86.9	–
thereof: with a limited term	785.3	1,131.6	–30.6
Other deposits from other banks	1.9	0.0	–
Total	4,057.9	2,554.8	58.8
German banks	3,378.7	1,871.3	80.6
Foreign banks	679.2	683.5	–0.6
Total	4,057.9	2,554.8	58.8

Deposits from other banks also include such loans and advances with a total carrying amount of €78.7 million (2006: €117.4 million), which are measured at fair value through profit or loss under the fair value option. The difference between the carrying amount and the repayment amount is €1.9 million (2006: €3.6 million) as at the balance sheet date.

41. Deposits from customers

€ mn	2007	2006	%
Loans and advances	4,042.1	3,685.8	9.7
thereof: payable on demand	277.3	206.1	34.6
thereof: with a limited term	3,764.8	3,479.7	8.2
Money market transactions	306.5	347.6	-11.8
thereof: payable on demand	53.0	6.2	-
thereof: with a limited term	253.5	341.4	-25.8
Other deposits from customers	13.7	0.0	-
Total	4,362.3	4,033.4	8.2
German customers	3,507.4	3,213.1	9.2
Foreign customers	854.9	820.3	4.2
Total	4,362.3	4,033.4	8.2

Deposits from customers also include such loans and advances with a total carrying amount of €86.4 million (2006: €88.4 million), which are measured at fair value through profit or loss under the fair value option. The difference between the carrying amount and the repayment amount is €2.1 million (2006: €4.0 million) as at the balance sheet date.

42. Securitised liabilities

€ mn	2007	2006	%
Commercial paper	450.5	848.6	-46.9
Bearer bonds	2,481.3	2,180.9	13.8
Total	2,931.8	3,029.5	-3.2

43. Negative fair values of derivative hedging instruments

€ mn	2007	2006	%
Hedging instruments with negative fair values			
Interest rate products	125.8	59.0	–
Currency-related products	0.0	0.0	–
Total	125.8	59.0	–

44. Financial liabilities held for trading

€ mn	2007	2006	%
Derivative financial instruments with negative fair values			
Interest rate products	45.3	31.3	44.7
Currency-related products	4.8	16.1	–70.2
Other products	2.1	0.0	–
Total	52.2	47.4	10.1

45. Provisions

€ mn	2007	2006	%
Provisions for pensions and similar obligations	21.7	21.9	–0.9
Other provisions	73.8	35.7	–
Total	95.5	57.6	65.8

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 during the year under review as follows:

€ mn	2007	2006	%
Present value of the pension obligations as at 1 Jan (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	-
Carrying amount of pension provisions as at 1 Jan	21.9	22.9	-4.5
Change in the year under review			
Service cost	0.2	1.5	-86.7
Interest expense	1.6	1.2	33.3
Effects of plan adjustments	0.0	0.0	-
Return on plan assets	-0.7	-0.3	-
Actuarial gains and losses			
recognised in the income statement	0.0	0.0	-
recognised directly in equity	0.6	-0.7	-
Benefits paid	-1.9	-2.7	-29.6
Carrying amount of pension provisions as at 31 Dec	21.7	21.9	-1.1
Present value of the pension obligations as at 31 Dec (DBO)	35.6	34.9	2.0
Plan assets	-13.9	-13.0	6.9
Unrecognised actuarial gains/losses	0.0	0.0	-
Unrecognised past service cost	0.0	0.0	-
Carrying amount of pension provisions as at 31 Dec	21.7	21.9	-0.9

The interest cost of €1.6 million (2006: €1.2 million) is recorded under personnel expenses.

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

%	2007	2006
Interest rate	4.75	4.25
Expected salary increase	4.00	2.50
Pension increase	2.00	1.75

In the business year 2007, the Company used the "Richttafeln 2005 G" mortality tables, 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	2007	2006	%
Asset retirement obligations	1.0	1.0	0.0
Lending business	0.4	0.8	-50.0
Bonuses	28.9	20.5	41.0
Miscellaneous other provisions	43.5	13.4	-
Total	73.8	35.7	-

The increase in miscellaneous other provisions largely reflects provisions recognised for maintenance work and bonus payments.

The provisions changed during the year under review as follows:

€ mn	Balance as at 1 Jan	Utilisation	Reversal	Addition	Reclassification	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	0.8	0.0	-0.6	0.2	0.0	0.0	0.4
Bonuses	20.5	-21.3	-0.1	29.8	0.0	0.0	28.9
Miscellaneous other provisions	13.4	-31.3	-1.6	63.0	0.0	0.0	43.5
Total	35.7	-52.6	-2.3	93.0	0.0	0.0	73.8

Distribution of the provisions for losses on loans and advances by business division is described in the risk report.

46. Income tax liabilities

€ mn	2007	2006	%
Current income tax liabilities	35.5	17.0	-
Deferred income tax liabilities	35.8	25.3	41.5
Total	71.3	42.3	68.6

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

€ mn	2007	2006	%
Loans and advances to banks and customers, incl. allowances for losses on loans and advances	5.8	1.0	–
Financial assets held for trading and hedging instruments	4.0	19.4	–79.4
Investment securities	0.2	0.5	–60.0
Property and equipment	1.1	2.3	–52.2
Deposits from customers and other banks	23.1	0.0	–
Provisions	1.2	2.1	–42.9
Other balance sheet items	0.4	0.0	–
Total	35.8	25.3	41.5

47. Other liabilities

€ mn	2007	2006	%
Other tax liabilities	2.0	1.5	33.3
Miscellaneous other liabilities	36.9	31.7	16.4
Total	38.9	33.2	17.2

48. Subordinated liabilities

€ mn	2007	2006	%
Subordinated promissory note loans	564.8	475.2	18.9
Subordinated bearer bonds	60.8	61.9	–1.8
Total	625.6	537.1	16.5

Subordinated liabilities also include such subordinated promissory note loans with a total carrying amount of €10.2 million (2006: €10.5 million) which are measured at fair value through profit or loss under the fair value option. The difference between the carrying amount and the repayment amount is €0.1 million (2006: €0.5 million) as at the balance sheet date.

Other subordinated liabilities include minority interests in subsidiaries controlled by DVB which have to be reported as liabilities due to written put options in accordance with IAS 32.

49. Equity

Equity can be broken down as follows:

€ mn	2007	2006	%
Issued share capital	99.7	99.5	0.2
Capital reserve	195.8	199.4	-1.8
Retained earnings	456.7	369.9	23.5
Revaluation reserve	7.2	20.4	-64.7
Hedging reserve – cash flow hedges	9.0	3.7	–
Currency translation reserve	3.3	-2.9	–
Distributable profit	20.6	12.5	64.8
Total equity before minority interests	792.3	702.5	12.8
Minority interests	0.9	2.3	-60.9
Equity	793.2	704.8	12.5

49.1 Issued share capital

As at the balance sheet date, the subscribed capital of DVB Bank AG consists of 3,932,677 no-par value bearer shares. An additional 50,060 notional no-par value shares from the last options exercise under the 'DVB shares' employee share ownership programme was registered with the Commercial Register on 13 February 2008, in accordance with section 201 of the German Public Limited Companies Act. Since this point in time, the subscribed capital has comprised 3,982,737 notional no-par value shares.

49.2 Capital reserve

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

49.3 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.

49.4 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 (2006: €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 (2006: €82.4 million).

Notes to financial instruments

50. Carrying amounts of financial instruments by measurement categories

	€ mn							
	Fair value option	Financial instruments held for trading		31 Dec 2007 Financial instruments held for hedging purposes		Loans and receivables	Financial assets available for sale	Other liabilities
Non-derivative financial instruments		Derivative financial instruments	Fair value hedge	Cash flow hedge				
Financial assets								
Loans and advances to banks	0.0	0.0	0.0	0.0	0.0	1,518.8	0.0	0.0
Loans and advances to customers	13.2	0.0	0.0	0.0	0.0	9,998.3	0.0	0.0
Positive fair values of derivative hedging instruments	0.0	0.0	0.0	100.2	11.6	0.0	0.0	0.0
Financial assets held for trading	0.0	0.0	149.8	0.0	0.0	0.0	0.0	0.0
Investment securities	0.0	0.0	0.0	0.0	0.0	3.3	187.0	0.0
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	13.2	0.0	149.8	100.2	11.6	11,520.4	187.0	0.0
Financial liabilities								
Deposits from other banks	78.7	0.0	0.0	0.0	0.0	0.0	0.0	3,979.2
Deposits from customers	86.4	0.0	0.0	0.0	0.0	0.0	0.0	4,275.9
Securitised liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,931.8
Negative fair values of derivative hedging instruments	0.0	0.0	0.0	125.8	0.0	0.0	0.0	0.0
Financial liabilities held for trading	0.0	0.0	52.2	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated liabilities	10.2	0.0	0.0	0.0	0.0	0.0	0.0	615.4
Total	175.3	0.0	52.2	125.8	0.0	0.0	0.0	11,802.3

€ mn

	31 Dec 2006							
	Fair value option	Non- derivative financial instruments	Financial instruments held for trading Derivative financial instruments	Financial instruments held for hedging purposes Fair value hedge	Cash flow hedge	Loans and receivables	Financial assets available for sale	Other liabilities
Financial assets								
Loans and advances to banks	0.0	0.0	0.0	0.0	0.0	600.7	0.0	0.0
Loans and advances to customers	17.1	0.0	0.0	0.0	0.0	9,191.4	0.0	0.0
Positive fair values of derivative hedging instruments	0.0	0.0	0.0	168.6	4.2	0.0	0.0	0.0
Financial assets held for trading	0.0	0.0	96.8	0.0	0.0	0.0	0.0	0.0
Investment securities	0.0	0.0	0.0	0.0	0.0	4.9	217.0	0.0
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	17.1	0.0	96.8	168.6	4.2	9,797.0	217.0	0.0
Financial liabilities								
Deposits from other banks	117.4	0.0	0.0	0.0	0.0	0.0	0.0	2,437.4
Deposits from customers	88.4	0.0	0.0	0.0	0.0	0.0	0.0	3,945.1
Securitised liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,029.5
Negative fair values of derivative hedging instruments	0.0	0.0	0.0	59.0	0.0	0.0	0.0	0.0
Financial liabilities held for trading	0.0	0.0	47.4	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated liabilities	10.5	0.0	0.0	0.0	0.0	0.0	0.0	526.6
Total	216.3	0.0	47.4	59.0	0.0	0.0	0.0	9,938.6

51. Earnings contributions of financial instruments by measurement categories

	1 Jan 2007–31 Dec 2007				
	Recognition in the income statement				Recognition in equity
	Interest result	Impairment losses on loans and advances	Net fee and commission income	Net income from financial instruments in accordance with IAS 39	Measurement result
Financial assets and liabilities designated as at fair value through profit or loss	-9.1			4.2	
Financial assets and liabilities held for trading	-63.9			-11.4	
Loans and receivables	172.8	-20.3	79.2	38.2	
Financial assets available for sale	5.6			17.1	4.9
Other liabilities			1.2	94.3	
Positive and negative fair values of derivative hedging instruments	20.6			-136.3	11.5
Total	126.0	-20.3	80.4	6.1	16.4

€ mn

1 Jan 2006–31 Dec 2006

	Recognition in the income statement			Recognition in equity	
	Interest result	Impairment losses on loans and advances	Net fee and commission income	Net income from financial instruments in accordance with IAS 39	Measurement result
Financial assets and liabilities designated as at fair value through profit or loss	-11.5			9.4	0.0
Financial assets and liabilities held for trading	-70.8			-0.5	0.0
Loans and receivables	214.6	-27.8	64.8	10.2	0.0
Financial assets available for sale	6.5			5.7	-6.2
Other liabilities	-14.6		0.2	143.5	
Positive and negative fair values of derivative hedging instruments	-10			-155.4	10.2
Total	114.2	-27.8	65.0	12.9	4.0

52. Changes in expenses and income directly recognised in equity (other comprehensive income)

€ mn	AfS revaluation reserve	Hedging reserve – cash flow hedges	Currency translation reserve
Balance as at 1 Jan 2006	26.6	-1.4	-8.0
Changes due to measurement of assets and liabilities	-6.0	7.7	6.2
Transfer to income statement	0.0	0.0	0.0
Deferred taxes	-0.2	-2.6	0.0
Changes in consolidated group and other changes	0.0	0.0	-1.1
Balance as at 31 Dec 2006	20.4	3.7	-2.9
Changes due to measurement of assets and liabilities	8.4	8.6	6.2
Transfer to income statement	-18.1	-1.8	0.0
Deferred taxes	0.1	-1.5	0.0
Changes in consolidated group and other changes	0.0	0.0	0.0
Balance as at 31 Dec 2007	7.2	9.0	3.3

53. Determination of fair values of financial instruments

The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments which are listed on an active market is determined on the basis of market prices. The fair value of shares in funds is determined using the redemption price as published by the investment company.

The fair value of financial instruments which are not listed on an active market is determined on the basis of accepted valuation models. Non-derivative financial instruments are measured using the discounted cash flow (DCF) method. Derivative financial instruments with option characteristics are measured using accepted option pricing models (Black-Scholes model or Garmann-Kohlhagen model). The measurement models use parameters that can largely be observed on the market.

The Company did not hold any financial instruments during the business year the fair value of which was determined on the basis of internal measurement models or measurement models using largely unobservable market parameters.

The fair values of the financial instruments were determined in accordance with the following methods, to the extent that these instruments were included in measurement as at the balance sheet date:

€ mn	Fair values		Measurement models using largely observable market parameters		Measurement models using largely unobservable market parameters	
	2007	2006	2007	2006	2007	2006
Assets						
Loans and advances to banks	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances to customers	0.0	0.0	13.2	17.1	0.0	0.0
Financial assets held for trading	0.0	0.0	149.8	96.8	0.0	0.0
Positive fair values of derivative hedging instruments	0.0	0.0	111.8	172.8	0.0	0.0
Investment securities	101.5	109.9	32.6	39.4	0.0	0.0
Total assets	101.5	109.9	307.4	326.1	0.0	0.0
Liabilities						
Deposits from other banks	0.0	0.0	78.7	117.4	0.0	0.0
Deposits from customers	0.0	0.0	86.4	88.4	0.0	0.0
Financial liabilities held for trading	0.0	0.0	52.2	47.4	0.0	0.0
Negative fair values of derivative hedging instruments	0.0	0.0	125.8	59.0	0.0	0.0
Subordinated liabilities	0.0	0.0	10.2	10.5	0.0	0.0
Total liabilities	0.0	0.0	353.3	322.7	0.0	0.0
Total assets and liabilities	101.5	109.9	660.7	648.8	0.0	0.0

54. Risks arising from the use of financial instruments

The disclosures as to the nature and extent of risks arising from the use of financial instruments are included in the risk report of the consolidated financial statements, in accordance with the provisions of IFRS 7. This does not apply to the contractual maturity analysis, which is shown below.

55. Maturity groupings and fair values of derivative financial instruments

€ mn	Remaining term to maturity			Total 31 Dec 2007	Total 31 Dec 2006	Fair value	
	up to 1 year	1 to 5 years	more than 5 years			31 Dec 2007	31 Dec 2006
Interest-rate derivatives with positive fair values							
Interest-rate swaps	23.6	105.4	21.8	150.8	232.2	143.0	211.7
Forward rate agreements	0.0	0.0	0.0	0.0	0.2	0.0	0.2
Interest-rate options	0.0	0.0	0.0	0.0	0.2	0.4	0.3
Interest-rate derivatives with negative fair values							
Interest-rate swaps	-33.5	-106.6	-35.7	-175.8	-90.8	-155.6	-79.8
Forward rate agreements	0.0	0.0	0.0	0.0	-0.2	0.0	-0.2
Interest-rate options	-15.6	0.0	0.0	-15.6	-8.9	-15.5	-9.0
Total interest-rate derivatives	-25.5	-1.2	-13.9	-40.6	132.7	-27.7	123.2
Currency-related derivatives with positive fair values							
Forward currency contracts	105.3	0.8		106.1	52.7	106.1	52.7
Currency options	1.3			1.3		1.3	
Cross-currency swaps	6.6	1.7		8.3	2.4	8.7	4.5
Currency-related derivatives with negative fair values							
Forward currency contracts	-2.7	-0.8		-3.5	-16.1	-3.5	-16.1
Currency options	-1.3			-1.3		-1.3	
Cross-currency swaps							
Total currency-related derivatives	109.2	1.7	0.0	110.9	39.0	111.3	41.1
Other derivatives							
with positive fair values	2.1			2.1		2.1	
with negative fair values	-2.1			-2.1		-2.1	
Total other derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	83.7	0.5	-13.9	70.3	171.7	83.6	164.3

The amounts reported for the individual time bands reflect the undiscounted future cash flows.

56. Fair values of non-derivative financial instruments

€ mn	Fair value		Carrying amount	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Assets				
Cash and balances with the central bank	276.6	163.0	276.6	163.0
Financial assets held for trading (non-derivative)	0.0	0.0	0.0	0.0
Loans and advances to banks	1,518.3	596.9	1,518.8	600.7
Loans and advances to customers	10,369.5	9,656.2	10,011.5	9,208.5
Investment securities (excl. interests in unconsolidated, affiliated companies)	188.2	218.5	190.3	220.2
Total assets	12,352.6	10,634.6	11,997.2	10,192.4
Liabilities				
Financial liabilities held for trading (non-derivative)	0.0	0.0	0.0	0.0
Deposits from other banks	4,013.4	2,564.4	4,057.9	2,554.8
Deposits from customers	4,404.4	4,078.1	4,362.3	4,033.4
Securitised liabilities	2,950.2	2,677.7	2,931.7	3,029.5
Subordinated liabilities	625.9	550.7	625.6	537.1
Total liabilities	11,988.6	9,870.9	11,977.5	10,154.8

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

57. Maturity groupings of non-derivative financial instruments

€ mn	Payable on demand	Terms to maturity up to 3 months	Terms to maturity from 3 months to 1 year	Terms to maturity from 1 year to 5 years	Terms to maturity more than 5 years	Total
Loans and advances to banks	194.3	1,300.6	31.6	0.0	0.0	1,526.5
Loans and advances to customers	100.1	1,025.8	1,516.1	5,562.7	4,984.1	13,188.8
Investment securities	0.0	3.1	5.3	112.8	85.2	206.4
Total	294.4	2,329.5	1,553.0	5,675.5	5,069.3	14,921.7
Deposits from other banks	591.6	588.1	1,069.6	1,487.1	654.6	4,391.0
Deposits from customers	330.3	717.5	246.6	1,389.8	3,387.8	6,072.0
Securitised liabilities	0.0	485.2	875.5	1,845.6	0.0	3,206.3
Subordinated liabilities	0.0	13.5	131.4	346.4	146.5	637.8
Total	921.9	1,804.3	2,323.1	5,068.9	4,188.9	14,307.1

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

Other disclosures

58. Equity capital management

The target figure for DVB's equity capital management is the capital as determined pursuant to the provisions of the German Banking Act (*Kreditwesengesetz – KWG*). The objective of equity capital management is to exploit potentials of profitable growth in international transport finance by means of strengthening liable capital, and to fulfil at any time the regulatory requirements with respect to the amount of equity.

DVB's regulatory capital is determined pursuant to the provisions of the German Banking Act. In accordance with Sections 10 and 10a of the KWG, the Group is obliged to ensure an appropriate amount of equity capital in order to fulfil its obligations to customers. In addition, financial institutions are required, on the basis of the solvability principle (*Grundsatz I*), to quantify their counterparty credit risks as well as their market risks and to ensure that these risk exposures are backed by equity capital.

The calculation of equity capital is based on the separate financial statements of the Group companies in accordance with local accounting principles. The Bank's regulatory capital comprises liable capital, which consists of Tier I and Tier II capital, and Tier III capital. Compared to equity as reported in the balance sheet, which is determined in accordance with the provisions of IFRS, regulatory equity capital also includes silent partnership contributions, subordinated liabilities and profit-participation certificates. In addition, certain components of equity as reported in the balance sheet (revaluation reserve from the measurement of securities of the category "available for sale", hedging reserves for cash flow hedges and cumulative actuarial gains and losses) are not included in the calculation of regulatory capital.

The components of regulatory capital are set up as follows:

€ mn	2007	2006	2005	2004	2003
Issued share capital	101.8	100.5	99.6	77.6	77.2
Reserves	584.3	481.0	419.4	296.6	270.1
Silent partnership contributions	77.5	77.5	77.5	77.5	77.5
Reserves eligible for inclusion and adjustments in accordance with the KWG	50.9	69.0	67.0	58.2	64.6
Core capital (Tier I)	814.5	728.0	663.5	509.9	489.4
Subordinated liabilities	336.1	261.3	242.2	200.0	201.0
Profit-participation certificates	75.0	75.0	126.1	126.1	126.1
Reserves eligible for inclusion and adjustments in accordance with the KWG	-32.5	-31.1	-23.5	-15.8	-12.5
Supplementary capital (Tier II)	378.6	305.2	344.8	310.3	314.6
Tier III funds	-	-	-	-	-
Own funds as defined by the KWG ¹⁾	1,193.1	1,033.2	1,008.3	820.2	804.0

1) Taking into consideration reserves and transfers to reserves from net profit.

59. Subordinated assets

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

60. Financial guarantee contracts, contingent liabilities and other commitments

€ mn	2007	2006	%
Financial guarantee contracts			
Guarantees	551.2	287.3	91.9
Contingent liabilities			
Irrevocable loan commitments	3,445.6	2,006.2	71.8
Other commitments	15.7	17.2	-8.7
Total	4,012.5	2,310.7	73.6

Financial guarantee contracts are disclosed at their nominal value.

Other commitments include future minimum lease payments from non-cancellable operating leases.

61. Average number of employees

The average number of employees (excl. TES Group) changed during the year under review as follows:

Employees	2007		2006	
	AG	Group	AG	Group
Women	96	167	100	157
Men	165	261	159	245
Total	261	428	259	402

As from the business year 2007, the average number of employees includes employees on parental leave, people doing military or alternative community service and temporary personnel, but does not include trainees and employees in the passive phase of partial retirement (*Altersteilzeit*). All prior-year figures were adjusted accordingly.

62. Related party disclosures

62.1 Remuneration and shareholdings of Board members

The emoluments paid to Board members during 2007 amounted to:

€'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
Total	2,616.6	2,657.2

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, 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).

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 51.2%

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).

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.

62.1.3 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.

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

€	For Supervisory Board activities					For Credit Committee activities					
	Remune- ration on Supervisory Board	VAT	Taxes for membership in a supervisory board	Solidarity surcharge	Remune- ration Super- visory Board Total	Remune- ration Credit Committee	VAT	Taxes for membership in a supervisory board	Solidarity surcharge	Remune- ration Credit Committee Total	
		19.0%	30.0% ³⁾	5.5% ³⁾			19.0%	30.0% ³⁾	5.5% ³⁾		
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 Schölch, 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						
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 Member of the Credit Committee	10,000.00	1,900.00 ²⁾	3,000.00	165.00	6,835.00	10,000.00	1,900.00 ²⁾	3,000.00	165.00	6,835.00	
Supervisory Board and Credit Committee:					107,220.00						38,735.00
Total – Supervisory Board and Credit Committee:										145,955.00	

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

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

As at 31 December 2007, the members of the Board of Managing Directors held 6,506 shares in DVB Bank AG. The members of the Supervisory Board held 49 shares in DVB Bank AG.

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

€4.59 million (2006: €4.71 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 AG, 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. By means of such a declaration, they undertake 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 Declaration of Compliance in accordance with section 161 of the Stock Corporation Act on 7 December 2007 in the electronic German Federal Gazette (*elektronischer Bundesanzeiger*) and simultaneously made the text permanently available to the public on the Bank's website (http://www.dvbbank.com/en/investor_relations/corporate_governance/index.html).

In addition, on 4 May 2007 DVB Bank AG for the first time published an annual document in accordance with section 10 of the German Securities Prospectus Act (*Wertpapierprospektgesetz, WpPG*) on its website (http://www.dvbbank.com/de/investor_relations/jaehrliches_dokument/index.html). This annual document includes any information that was published or made available to the public by the Company pursuant to the provisions of section 10 of the German Securities Prospectus Act in the period from 1 January to 31 December 2006.

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 2007, which was submitted to the Local Court of Frankfurt am Main and which includes DVB Bank AG.

65. Responsibility statement

in accordance with section 37y no. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), in conjunction with sections 297 (2) sentence 4 and 315 (1) sentence 6 of the German Commercial Code (*Handelsgesetzbuch*).

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the DVB Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the DVB Group, together with a description of the principal opportunities and risks associated with the expected development of the DVB Group.


Frankfurt/Main, 19 March 2008

DVB Bank AG

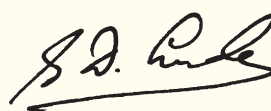
The Board of Managing Directors



Wolfgang F. Driese
Chairman of the Board
of Managing Directors



Bertrand Grabowski
Member of the Board
of Managing Directors



Dagfinn Lunde
Member of the Board
of Managing Directors

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, 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 2007. 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 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 and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) in Germany. Those standards require that we plan and perform the audit such 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 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 has not led to any reservations.

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, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, 20 March 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Christian F. Rabeling ppa. Markus Gröninger
German Public Auditor German Public Auditor