Annual General Meeting

Welcome!

Frankfurt/Main, 23 June 2016




Agenda

- Major macro-economic influencers 2015
- DVB's consolidated financial statements 2015
- Strategic measures – To further stabilise and strengthen our business model
- Results of the first quarter of 2016
- Current state and perspectives of the transport markets 2016
- Financial outlook and targets for 2016

Major macro-economic influencers 2015

The global economy had its ups and downs in 2015. There were three developments in particular that had an influence on the Bank and consolidated net income:

Slowdown in global economic growth

Slump in oil prices

Ongoing shipping crisis

Key facts of our business development in 2015 (1)

- With an ad-hoc disclosure published on 5 November 2015, we adjusted our outlook for the financial year 2015, and forecasted net income before taxes in the positive low- to mid-double-digit million euro range. In view of the prevailing difficult situation on the international shipping and offshore markets, we considered it reasonable to recognise <u>additional</u> allowance for credit losses in the amount of approximately €60 million.

  The corrected forecast turned out to be sound and realistic.

  - Allowance for credit losses rose by €79.1 million.
  - Consolidated net income before taxes was €46.1 million.

- This means that DVB was still able to achieve satisfactory results for the financial year 2015.

Key facts of our business development in 2015 (2)

The following positive factors were noteworthy:

- DVB originated **new international Transport Finance business** at attractive terms, in spite of persistent and intense competition amongst banks on the financing markets. The Bank's new business in Shipping Finance, Aviation Finance, Offshore Finance and Land Transport Finance during the period ending on 31 December 2015 comprised 190 transactions with an aggregate volume of €7.0 billion – compared to 187 transactions with an aggregate volume of €6.3 billion during the previous year.

- **Net result from financial instruments in accordance with IAS 39** swung to €70.8 million, from €–21.4 million in 2014. The reason for this increase was a rise in result from investment securities from €–4.0 million to €35.3 million, which reflected substantial non-recurring income generated by the Bank's Aviation Investment Management team from **the partial disposal of its stake** in Wizz Air Holdings Plc.

- Despite the continued high demands posed by these projects, we managed to keep **general administrative expenses** of €180.9 million in line with the previous year's level.

Key facts of our business development in 2015 (3)

Results were burdened by various effects:

- **Risk costs** included in net interest income stood at €36.8 million, largely comprising expenses incurred for vessels which are under the Bank's control, as part of restructuring measures.
- Net interest income was burdened by an additional €11.6 million, compared to the previous year, that resulted from **early loan repayments** that the Bank was unable to re-lend at the respective funding rates – as well as from the requirement to maintain additional liquidity with the European Central Bank (at negative interest rates), due to new EU liquidity requirements (LCR).
- **Allowance for credit losses** rose by €79.1 million, to €141.5 million (previous year: €62.4 million). The increase was largely required for legacy exposures in the Shipping Finance portfolio, and for financings in the Offshore Finance portfolio.

Allowance for credit losses

[€ mn]

	Specific allowance for credit losses				Portfolio-based allowance for credit losses		Provisions	Total
	Additions	Reversals	Direct write-offs	Recoveries on loans and advances previously written off	Additions	Reversals		
Shipping Finance	-110.3	29.9	-7.4	0.5	-14.6	13.5	–	**-88.4**
Aviation Finance	-10.0	3.3	–	–	-2.6	6.1	-2.7	**-5.9**
Offshore Finance	-21.1	–	–	–	-1.9	1.5	–	**-21.5**
Land Transport Finance	-0.6	0.1	–	–	-0.6	0.6	–	**-0.5**
Investment Management	-12.9	8.3	–	–	–	–	–	**-4.6**
ITF Suisse	-19.2	0.8	–	–	-1.0	1.9	–	**-17.5**
Business no longer in line with DVB's strategy	-0.2	–	-2.8	0.5	-0.6	–	–	**-3.1**
Others	–	0.0	-0.2	0.1	–	0.1	–	**0.0**
Total 2015	**-174.3**	**42.4**	**-10.4**	**1.1**	**-21.3**	**23.7**	**-2.7**	**-141.5**
Total 2014	**-133.5**	**56.4**	**-8.6**	**9.9**	**-13.7**	**27.1**	**–**	**-62.4**

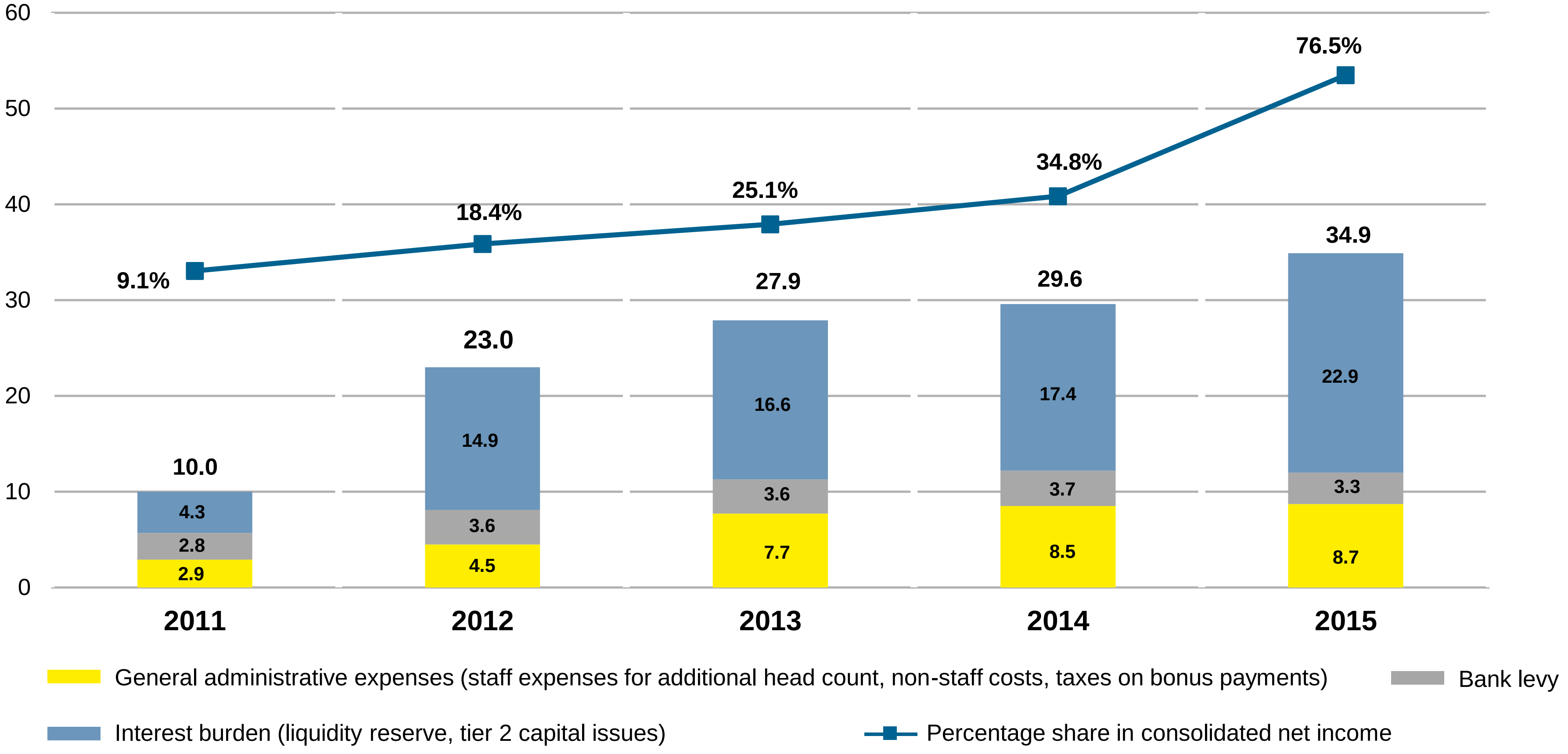
At a glance – Income statement

[IFRS]	1 Jan 2015 – 31 Dec 2015	1 Jan 2014 – 31 Dec 2014	%
Net interest income	€183.7 mn	€215.9 mn	–14.9
Allowance for credit losses	€–141.5 mn	€–62.4 mn	–
Net interest income after allowance for credit losses	€42.2 mn	€153.5 mn	–72.5
Net fee and commission income	€103.3 mn	€108.5 mn	–4.8
Net other operating income/expenses[1)]	€14.7 mn	€34.5 mn	–57.4
General administrative expenses[1)]	**€–180.9 mn**	**€–181.2 mn**	**–0.2**
Staff expenses	€104.2 mn	€108.9 mn	–4.3
Non-staff expenses	€71.8 mn	€67.8 mn	–5.9
Net result from financial instruments in according with IAS 39[1)]	€70.8 mn	€–21.4 mn	–
Consolidated net income before taxes[1)]	**€46.1 mn**	**€98.2 mn**	**–53.1**
Consolidated net income (after taxes)[1)]	**€45.6 mn**	**€79.1 mn**	**–42.4**

1) The correction of an error in accordance with IAS 8.41 resulted in an adjustment of the previous year‘s figure.

Estimated costs incurred due to regulatory measures

[€ mn]



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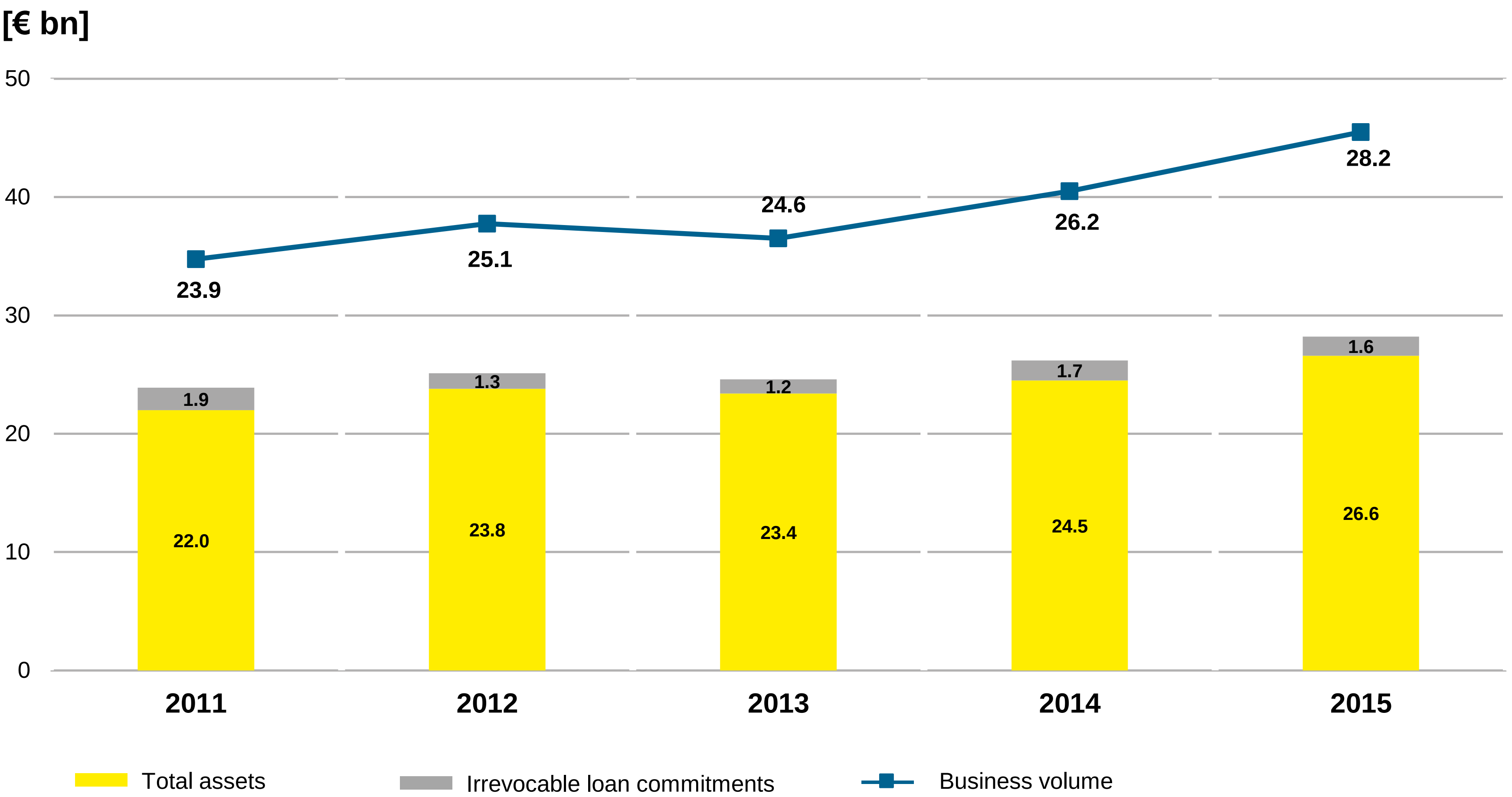
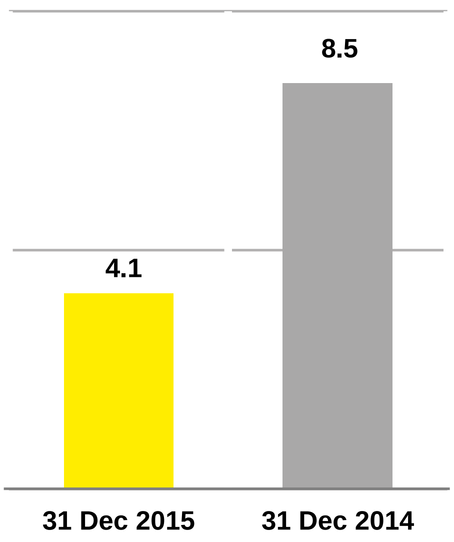
Business volume, as at 31 December

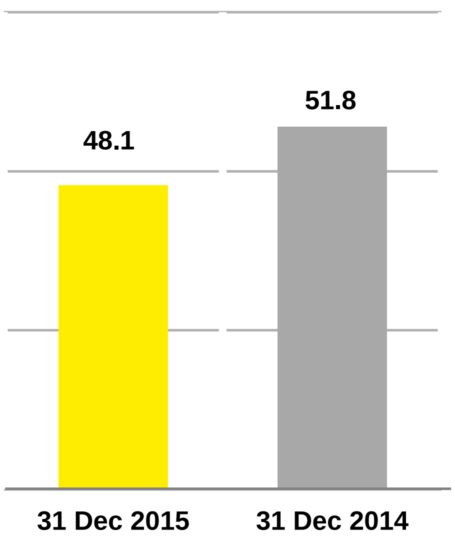


Development of key ratios

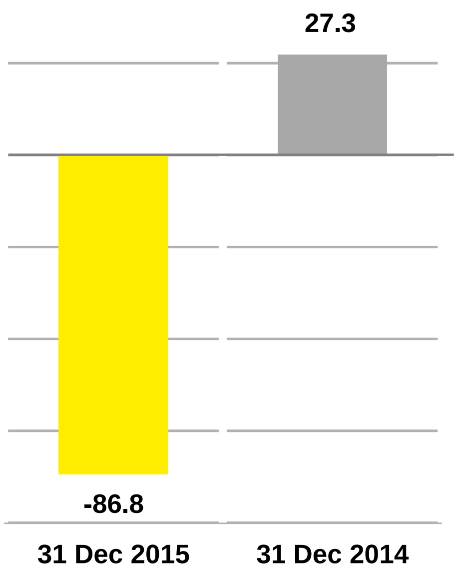
Return on equity before taxes [%]



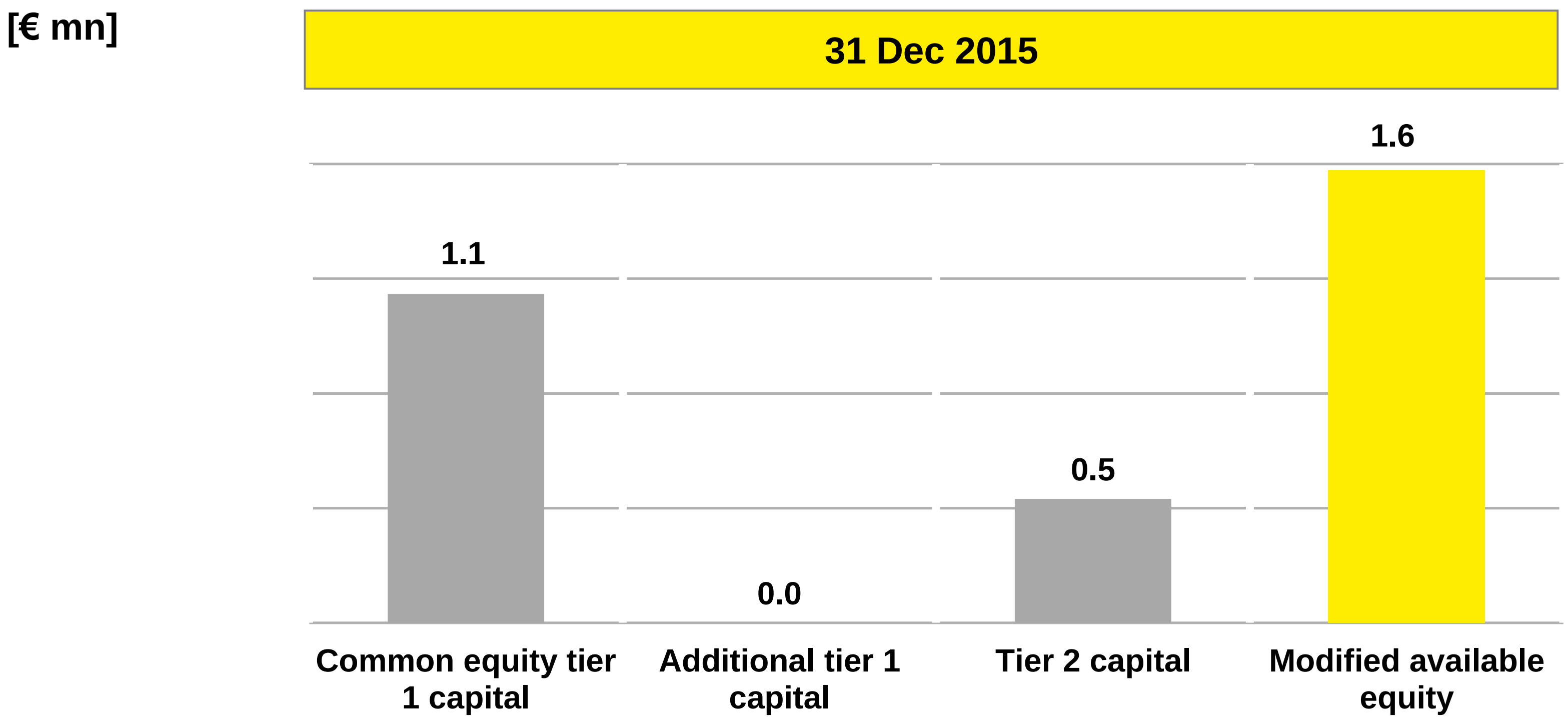
Cost/income ratio [%]



Economic Value Added [€ mn]



Own funds (in accordance with the CRR) and capital ratios



Capital ratios (Basel III)

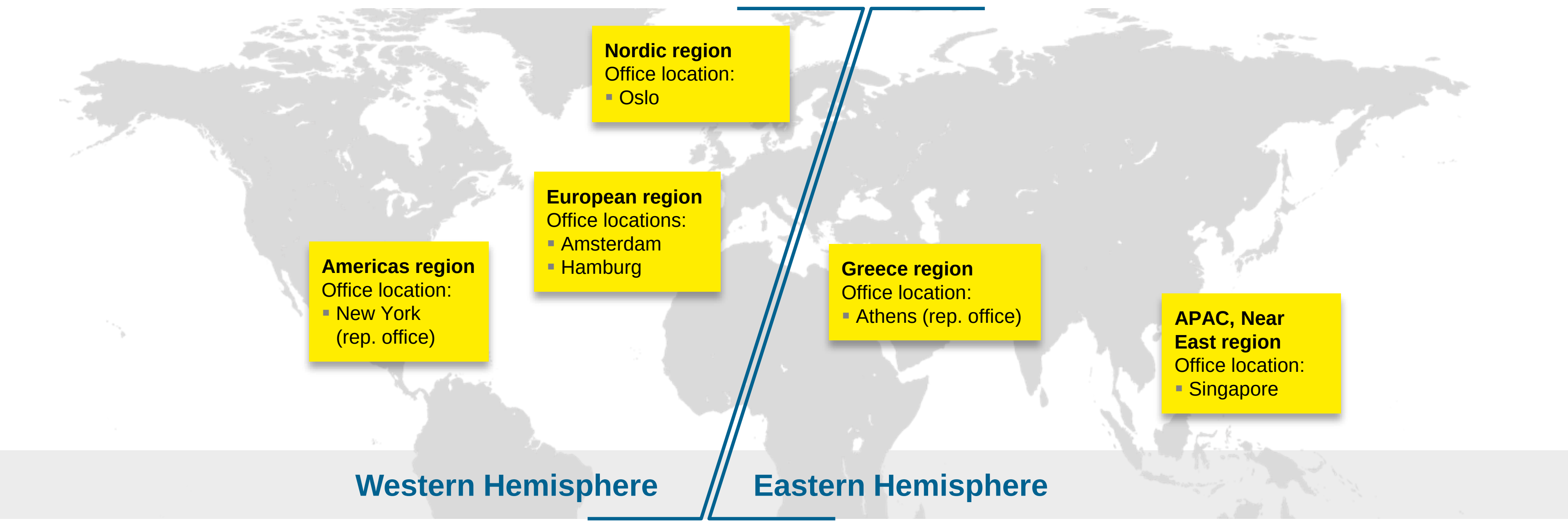
Common equity tier 1 ratio: **16.3%** **Total capital ratio:** **22.4%**

Strategic measures – Overview

Your DVB has been, and will continue to be, a bank that recognises, accepts and overcomes challenges.

- **Shipping Finance** – Implemented regional structure and enhanced proximity to clients
- **Credit and Asset Solution Group** – Critical exposures to be rearranged
- **Corporate Finance** – Activities selectively intensified
- **Projekt Liberty** – Realised cost savings and raised cost awareness
- **ITF Suisse** – Ceased marketing activities

Shipping Finance – Implemented regional structure and enhanced proximity to clients



→ This new model executes three strategic objectives:

- Simplify the division's complex structure
- Promote teamwork and best practice at all levels in the organisation
- Optimise the decision-making processes

Credit and Asset Solution Group – Efficient solutions for critical exposures

Building on the existing foundation, the Credit and Asset Solution Group will firmly institutionalise the restructuring capability into our operational structure to deliver continuous and consistent competence in dealing with critical exposures.

Primary objective :

- Especially to exposures in Shipping Finance and Offshore Finance – reduce such exposures that need to be rearranged as efficiently as possible, to ultimately protect the Bank's capital.

Measures:

- CASG institutionalises the Bank's restructuring capability cross-sectoral for all four Transport Finance divisions in one team.
- The team works with a platform that ensures full structural compliance to regulatory considerations.
- The team bears primary responsibility for Watch List and Special Credit cases.
- The team works closely with the dedicated colleagues from all four Transport Finance divisions, and proceeds to play an important role in line with regulatory requirements.

Corporate Finance – Activities selectively intensified

Against the background of global geopolitical and economic uncertainties and volatility in the capital markets, Corporate Finance is intensifying its activities with selective capital market issues and M&A transactions.

- The 2016 transaction pipeline is well-stocked, and also well-diversified in terms of regions and sectors. The products it contains are varied, ranging from
  - Company sales
  - Private placements
  - Sale and lease-back transactions
  - Structured financings
- To support the growing pipeline and our marketing activities, we added two new colleagues to our team in 2016. These new colleagues add to our analytical and technical abilities by strengthening, amongst others, business initiatives such as the expansion of the Private Placement Group.
- Income generated from transactions that have already been mandated is expected to be solid.

The Liberty project –
Realised cost savings and raised cost awareness

"Liberty" embodies our response to addressing inflationary cost developments over recent years. The initiative works on the foundation that every employee in DVB has a vested interest, motivation and responsibility for making the right choices for DVB, also when it comes to cost and achieving the best value. Liberty represents the freedom to choose, for everyone at DVB to take the right decisions for sustainable cost awareness.

Liberty

300 ideas

4 initiatives

Saving potential
small figure in the single-digit million range

- a transparent cost management programme
- a global solution for business travel and event planning
- central procurement and contracting
- harmonised phone and communication services

ITF Suisse – Ceased marketing activities

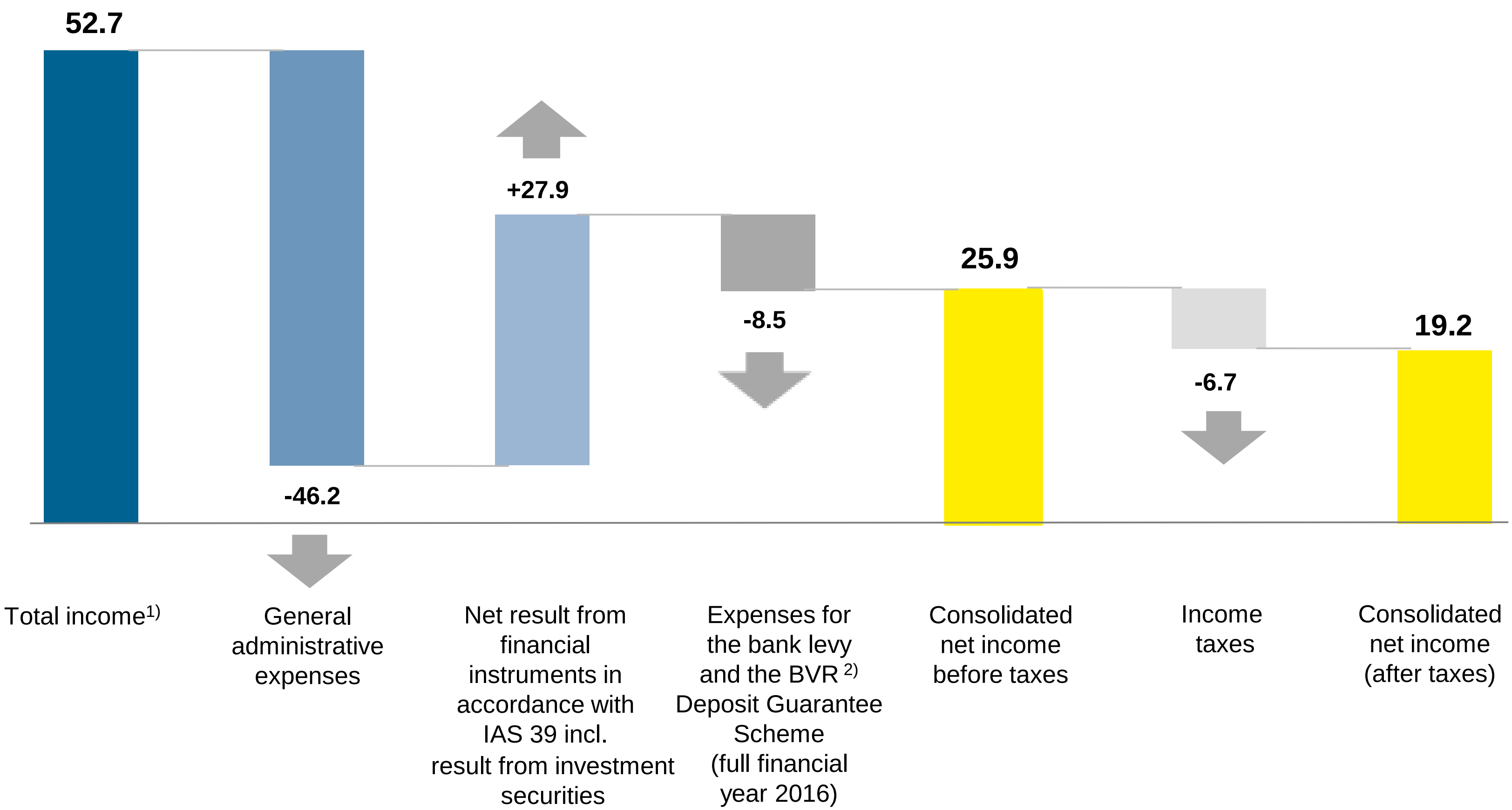
In November 2015, we decided to cease the business activities of our Zurich-based subsidiary ITF International Transport Finance Suisse AG.

- 2007 – established with a focus on participations in shipping and aviation financing syndicates.
- Since then, the financial world strongly changed, including the environment we had expected ITF Suisse to operate in.

Consequences:

- Review and realign its business model and focus to the changing market environment
- Ceasing the marketing activities – not a withdrawal from this business area as a whole
- The Financial Institutions and Syndications team will henceforth be the contact for collateralised syndicated loans and portfolio transactions in the international bank market.

Consolidated net income, as at 31 March 2016 (€ mn)



1) Composing net interest income after allowance for credit losses, net fee and commission income, result from investments in companies accounted for using the equity method and net other operating income/expenses;

2) National Association of German Cooperative Banks

Shipping markets 2016 – Overview

- Growth prospects for the **shipping markets** in 2016 are lower than originally anticipated.

- Most shipping sectors will probably have to wait longer for any significant increase in demand.

- Excess capacity has remained a major issue for shipping markets so far in 2016, with the exception of a few sectors that have benefited from higher demand triggered by the low oil price environment.

- The dry bulk and container shipping markets both continued to suffer from overcapacity, keeping vessel earnings and values under pressure. Crude oil tankers, however, benefited from positive short-term factors which translated into an increase in vessel earnings and values.

- In terms of transport volumes and services – these sectors are the three most important for the maritime industry.

- The industry can no longer use history to predict how shipping sub-sectors will emerge from market downturns. The nearshoring of manufacturing – moving production to nearby low-cost sites – will have a lasting impact on world trade and on containerised trade by moving production closer to consumers, reducing the necessity of shipping.

The three major shipping segments 2016

Dry bulk market remains under pressure – the gap between supply and demand widens further.

- Consequence: asset values and earnings remain at low levels.
- Temporary factors reinforce seasonality and volatility of freight rates.
- Very challenging market conditions triggered by severe overcapacity and waning Chinese demand

Demand for **container shipping services** has changed – growth rates are stabilising, albeit at low levels.

- Growing excess capacity remains a burden on the sector and is met by muted demand.
- Freight rates are declining, dragging down charter rates.
- Ship owners are no longer able to cover their operating costs, interest rates and repayments to the full extent.
- The container market is expected to remain under pressure in 2016.

Demand for **crude oil tankers** is a conjunction of demand for oil, supply capacities, and the geographical distance between refineries and production.

- The market is currently reaping short-term benefits that are likely to curb during 2016.
- Other factors contributing to the current positive development of crude oil tanker demand are
  ⇒ continued oil production despite lower oil prices, globally and especially in the Middle East region,
  ⇒ speculation on the oil price, and
  ⇒ delays in ports due to weather or seasonal peaks.

Aviation markets 2016 – Overview

- While demand prospects for **air passenger traffic** remain positive upbeat, **air freight markets** have lost momentum and are stagnating.
- Worldwide, airlines reported excellent results in 2015 – benefiting from low oil prices and high load factors
- European airlines performed surprisingly well against competitive pressure exercised by expanding Middle-Eastern long-haul providers.
- Compared with the industry benchmark, US airlines have become very profitable. In Latin America and Southeast Asia, however, there are a number of risks.
- Although commercial jet orders were down year-on-year in 2015, the order backlog for commercial jets remains close to its record level.
- The order backlog is equal to almost nine years of production.
- During the first quarter of 2016, order volumes decreased significantly – the opening of the Iranian market may offer new opportunities for several hundred orders.

Offshore markets 2016 – Overview

- Continued **oil price** uncertainty is leading to further cuts in exploration and production spending, as large oil and gas companies not only implement cost-cutting programmes, but also delay investments. It is expected that exploration and production spending will further decrease in 2016.
- Demand for **offshore assets** is projected to decline further. In terms of assets, those largely involved in exploration are expected to be the most affected – and in terms of regions, lower cost sites such as the Middle East should fare better.
- On the supply side, the number of units on order remains large for most asset types. Rig owners and shipowners are likely to continue to take measures to reduce supply growth as much as possible, by delaying deliveries and scrapping older units.
- These efforts to limit supply will, however, not suffice to make up for the lost demand in the short term and we will see a further decline in fleet utilisation.
- With the market continuing to remain difficult, cash reserves amongst rig owners and shipowners are becoming depleted. Hence we expect 2016 to be another year of great challenges in the realignment of offshore exposures.
- The International Energy Agency said last week that oil demand had been growing faster than it had previously expected, with consumption up 1.6 million barrels a day in the first quarter of 2016.

Land transport markets 2016 – Overview

- Demand prospects for **passenger and freight traffic** are positive, in all three regions (in ascending order): Europe, Australia and North America.
- Transport price, lease rate and utilisation rate increases can be expected across the board.
- However, it cannot be ruled out that North American total carloads will decrease again in 2016 due to a possible further decline in both coal and crude oil production, a further shift from an industrial to a service economy, and high inventories.

Financial outlook for 2016

- In Aviation Finance and Land Transport Finance, we will generate attractive new business to further expand our services platforms.

- In Shipping Finance and Offshore Finance we will focus on strengthening existing client relationships and adhere to selectively entering into new transactions. This conservative approach is an appropriate response to the difficult situation on the shipping and offshore markets.

- We continue to assess the 2016 financial year with cautious optimism, and are endeavouring to achieve consolidated net income that should approach the previous year's level. But given the persistent challenges on the shipping and offshore markets, we are of course aware that allowance for credit losses will remain on an elevated level.




Goals for 2016

- We shall strive to generate stable, sustainable quality income in our core business segments Transport Finance, Corporate Finance and Investment Management – based on our industry-leading expertise.
- We strive to optimise the risk profile of our credit portfolio in 2016, 2017, and beyond. Hence, the intense efforts to de-risk our shipping and offshore lending businesses will continue.
- We will concentrate on value-added services for our clients, such as capital markets and advisory business.
- We will continue to successfully master regulatory-driven projects, as we have done to date. These successes will also contribute to our ability to distinguish ourselves from our competitors, and to raise the entry barriers for new competitors.




Annual General Meeting

Thank you!

Frankfurt/Main, 23 June 2016




The next Annual General Meeting

will take place
at the same location on **22 June 2017**