DVB Transport Finance Limited
Annual Reports and Financial Statements
For the year ended 31 December 2021

Registered Number 3588431

DVB Transport Finance Limited

Financial Statements
For the year ended 31 December 2021

Contents

DVB Transport Finance Limited
Corporate information

(Registered Number 3588431)

Directors
Frans van de Bospoort (resigned on 01 July 2022)
Britta Sturm
Sebastian Kanski
Ralf Bedranowsky (with effect from 25 June 2021)
Rainer Jakubowski (with effect from 25 June 2021)
Rolf Büscher (with effect from 01 July 2022)

Chairman
Mr Frans van de Bospoort (resigned on 01 July 2022)
Ralf Bedranowsky (with effect from 01 July 2022)

Registered Office
Tower 42 Level 34
25 Old Broad Street
London EC2N 1HQ

Independent Auditors
BDO LLP
55 Baker Street
London, W1U 7EU

Legal Advisors
Freshfields Bruckhaus Deringer
65 Fleet Street
London
EC4Y 1HS

Company Secretary
Angelique Kounis
Tower 42 Level 34
25 Old Broad Street
London EC2N 1HQ

The directors present the strategic report in accordance with the provisions of sections 414C of Companies Act 2006 for the year ended 31 December 2021.

Business review and principal activities

The Company is a wholly-owned subsidiary of DVB Bank SE ("the Group", "DVB Group"), an immediate parent company (see note 27). The principal activities of the Company are the management of loans to clients active in the transportation sector.

These financial statements have been prepared in US Dollars, as this is the currency of the primary economic environment in which the Company operates and generates cash flows.

The activities of the Company resulted in a profit after tax of US$2,317k (2020: profit of US$1,277k). The result was primarily driven by the extra-ordinary items. The directors do not recommend the payment of a dividend (2020: US$ Nil). The results for the year are set out in the Profit and loss account on page 16.

Review of developments, strategy and future prospects

The lending activity in Japan, a key market for the Company through its Tokyo office, remained highly competitive in the current environment, as Japanese banks and, more generally, other banks / financial institutions in the Asian region have become more active with our shipping client base. The loan portfolio booked in the Tokyo office, decreased to a year-end figure of US$ 156 million (2020: US$237 million).

Following the closing of the sale and purchase agreement with MUFG Bank Ltd on 19 November 2020, the risk and rewards of the Aviation Finance client lending portfolio (including those aviation loans booked in DVB Transport Finance Limited) have been fully transferred to MUFG Bank Ltd in 2021. The remaining loan book of DTFL consists of Shipping and Container box loans in JOLCO (Japanese Operating Lease with call option) structures which continue to be run down in accordance with the decision by DVB's shareholders in Q4 2020. These transactions are managed by Relationship Managers based in DVB offices in Frankfurt and Amsterdam.

The invasion of the Ukraine by Russia has a tremendous impact on the global economy and resulted in a humanitarian crisis. The impact on the shipping markets has various aspects; challenges regarding vessels sailing with Ukrainian and Russian crew, sanctions related to Russian companies and individuals, closures of ports. These facts are causing even more congestions and freight rates have increased.

During the year 2021 there was a change in the staffing of DTFL. The then current representative in charged retired and was replaced by a new Representative who started on 1 September 2021.

Foreign currency

The exchange rate between US$ and GBP as at 31 December 2021 was 1.3479 US$/£. The share capital has been translated to US$ at the rate prevailing on the share capital subscription date as noted in the Accounting Policies.

Key Performance Indicators

The activities of DVB Transport Finance Limited are closely integrated with those of its immediate parent company, DVB Bank SE. Together with the actual and continued parent company support; the directors do not undertake a separate analysis of the company's Key Performance Indicators for the purpose of monitoring the business. The directors consider that these financial statements provide sufficient disclosures to enable a proper understanding of the company's activities, results and financial position. There have been no additional delinquencies or material credit events post year end on the portfolio of loans held as at the balance sheet date.

Financial risk management

As a wholly-owned subsidiary of DVB Bank SE, DVB Transport Finance Limited's operations in their entirety are managed within DVB Group's risk management framework, arranged via adequate Service Level Agreements.

Assuming risks in a targeted and controlled manner is an integral part of DVB Group's overall management strategy, the returns available must always be commensurate with the risks taken. Based on the Group's ability to carry and sustain risks, a risk policy is in place, which provides the guidelines for assuming, monitoring and managing risks.

These guidelines, together with the Group-wide risk monitoring and risk management system, are laid down in the Group's Risk Management Framework. The system complies with applicable legal provisions, and also satisfies internal requirements which go beyond those provisions.

Counterparty (Credit) risk

The directors define counterparty risk, which comprises credit, issuer and country risks, as potential losses arising from an unexpected default or deterioration in counterparty credit quality. Given the focus and structure of the business, counterparty risk represents the largest individual risk category.

The dominant position of counterparty risk in DVB Group's business has led to the development of an internal statistical and mathematical rating model for its global Transport Finance business. The model complies with the "Advanced Approach" requirements under Basel II. In addition to the probability of default associated with a given client, DVB Group determines the expected loss given default ("LGD") for a loan and the anticipated extent of the claim at the time of default (exposure at default, "EAD"). The advanced approach includes the various kinds of collateral (such as mortgages on ships or shipping containers, or indemnities), whereby the Company can establish the anticipated realisation proceeds from the Group's own historical data.

The rating model is based on a multi-level professional system that was developed from a statistical database of externally-rated companies for which all relevant balance sheet data is available. Assigning the internal to external rating classes enables DVB Group to use external default probabilities.

Counterparty (Credit) risk (continued)

The assessment of the future collateral value of financed assets is fundamental to determining the potentially impaired proportion of a specific lending exposure (the LGD) in the collateralised lending business. The method used for this purpose determines the future collateral value of an asset on the basis of simulation calculations. In addition to external valuations (expert opinions) and market data, DVB Group also utilises the expertise of its own market specialists in assessing specific collateral.

The results of internal ratings modelling provide vital information for lending decisions, in addition to expected loss and unexpected loss; the model also determines standard risk costs which are, in turn, incorporated for setting the minimum required margin.

The Group's proprietary database application Object Finance Administration and Security Information System (OASIS) is a state-of-the-art tool for analysing and managing the Group's loan portfolio. In addition to compiling all quantitative and qualitative data covering every transport finance exposure, OASIS also captures the legal and economic risk structure details, thus providing all the data required to manage the portfolio. Moreover, the database represents a core source of information for the Internal Rating Module (IRM). Data entry is subject to the principle of segregation of duties throughout the system. Because it is integrated into the loan approval and administration processes, OASIS also helps to minimise operational risks.

The Group uses a diversified set of tools for the early recognition, monitoring and management of sub-performing or non-performing loans. The procedures ensure that sub-performing loans are identified at an early stage, and that such exposure is included in a watch list for intensified handling. During regular meetings of the Watch List Committee (now called; CCI), decisions are taken regarding risk mitigation strategies and measures, as well as concerning any value adjustments required.

Operational risk

In line with the requirements set out by the Basel II Accord, operational risks at DVB Group are defined as the risk of losses resulting from inadequate or failed internal processes, human or technical failure or external events.

Monitoring and managing operational risks largely comprises the development of a methodology for identifying, quantifying and managing risk, and maintaining an adequate risk reporting system. In view of the Group's moderately complex yet highly transparent processes, the Basic Indicator Approach is considered as appropriate.

The Group implemented the organisational infrastructure and framework to measure and manage operational risk, as required under the Basic Indicator Approach. Organisational measures taken include the establishment of a central Operational Risk Committee, as well as the creation of an Operational Risk Manager for all of DVB Group's worldwide locations. The tools that the Group has implemented to manage and monitor operational risk include self-assessments, loss data collection and regular Operational Risk reporting.

Market risk

The Group defines market risk as the potential loss incurred through price fluctuations in the equities, foreign exchange and interest rate markets (including associated derivatives).

The Group Treasury Department is responsible for managing market risks in both the banking and the trading books. The Group ALCO (Asset-Liability Committee) meets monthly, to review the market risk exposure for the entire Group and to reach fundamental agreements on risk orientation. Group ALCO uses a consistent Value at Risk (VaR) method for calculating the market risk in the banking and trading books. Using historical simulation techniques, this approach quantifies the maximum loss that can be incurred through market price fluctuations over a one-day holding period, with a confidence level of 99%.

Department Group Controlling-Market-Risk-Control (GC-MC), which is responsible for monitoring market risks, has direct access to the trading and settlement systems, allowing it to observe whether limits are maintained. Any significant utilisation or infringements of limits in the banking and trading book immediately triggers a response, and the prompt return to compliance with these limits is closely monitored. The market risks incurred are therefore subject to constant measurement and limit monitoring through Deal & Hedge Control, which reports to the Group Board of Managing Directors on a daily basis.

The risk positions are managed on the basis of limits approved by the Group Board of Managing Directors. In addition, all positions are subject to a monthly stress test, based on an entire interest rate cycle. The calculations applied to such stress tests are discussed regularly in the Group ALCO. This is designed to ensure a timely reaction to developments. The results of monthly stress testing were used as a parameter when determining market risk limits for 2021.

The Company enters into derivative contracts with its parent DVB Bank SE. These derivatives are interest rate swaps used for economic hedging purposes to cover the risk profile of an existing underlying exposure of the Company in line with the Company's risk management policy.

Liquidity risk

This risk relates to the possibility that the Group may not be in a position to meet current and future payment obligations within the specified time or to the specified extent.

The liquidity risks are analysed and managed centrally on the basis of Group Treasury guidelines laid down by the Board of Managing Directors. Group Treasury, which reports to both the Group ALCO and the Group Board of Managing Directors assumes responsibility for this process. Decisions on major refinancing projects are made by the Group ALCO.

Anticipated cash flows are calculated, aggregated and offset by transactions on the money and capital markets, on the basis of continuously updated plans for liquidity flows and cash flow forecasts. These are prepared using state-of-the-art asset-liability management software. The position limit system ensures that timely and appropriate corrective measures can be taken. Ample access to short-term money market liquidity and extensive liquidity provisions ensure that the Group has access to adequate liquidity reserves. Various medium- and long-term refinancing measures are used to further strengthen the bank's structural liquidity position.

The Company mitigates its Liquidity risk by also matching the maturity profile of the loans provided to customers to the terms of the funding received from its parent company.

Political risk

The UK's membership of the EU and all associated treaties ceased to apply from 31 January 2021. As previously, there remains a high degree of uncertainty and, consequently market volatility is possible until such time that the economy has settled from the changing landscape. The impact of this volatility and uncertainty on the Company is not quantifiable at this point in time, as the longer term macro-economic variables are difficult to predict in this unprecedented environment.

The deplorable invasion of Ukraine by Russia and resulting humanitarian crisis has shocked the world and brought solidarity among western nations to condemn the aggression and bring unprecedented sanctions against Russia. Our thoughts are with the senseless suffering of the Ukrainian people. DVB has made financial donations to charities supporting the aid efforts in Ukraine providing help where it is desperately needed. The developments in Eastern Europe coupled with new COVID-related disruptions in China have brought turmoil to global markets and uncertainty for the global economic outlook. Our direct exposure to the situation in Russia and impact of sanctions is very limited; however, the broader economic effects and associated impact on the markets in which our remaining assets operate still remains to be seen

For a number of agricultural and energy-related commodities, Russia and Ukraine play significant roles in world trade. In the shorter term the question is how severe and for how long these trades may be interrupted. In the longer term, underlying trades in Russian and Ukrainian commodities may change depending on which part of the world will be the buyer. There are many unknowns at present and the longer-term impact will only develop in the period to come. Shipping markets potentially impacted by the Russian/Ukrainian war right now are mainly the dry bulk and tanker sectors. In the dry bulk market, a reduction in volumes could outweigh a potential increase in tonne-miles, whilst the tanker market could benefit from increased tonne-miles. Other sectors are less directly exposed to the conflict, although all markets/ sectors may face indirect consequences of the war through a commensurate reduction in economic activity.

Inflation, which has recently increased significantly, will continue to rise as a result of the sanctions against Russia and the failure of Ukraine as an important producer of raw materials. Uncertainty regarding the global economic development has increased materially, which is reflected in a general reduction in growth forecasts. This affects the maritime sector to varying degrees. Crude oil and LPG tankers as well as bulk carriers are expected to see stronger demand due to the substitution of energy supplies from Russia by other countries. The further development in the container carrier sector will depend on global economic growth. The Bank expects elasticity of demand for maritime transport services to be generally low, and that increased energy costs can be passed on to clients. Thus, the Bank generally assumes that the impact of the conflict will be minimal.

To date, there have been no matters that warrant adjustment to the financial results as at 31 December 2021 and for the year then ended. The situation is closely monitored by the Company.

Post-balance sheet events

After the sale of key business units in 2019, DVB's Board of Managing Directors resolved the amortisation of DVB's residual portfolios, including the portfolio of DTFL, at the beginning of 2020. The strategy provides for the Shipping Finance division to oversee a value-preserving amortisation of the Shipping portfolio. Consequently, DVB discontinued active marketing in Shipping Finance and, in principle, the origination of new business, but continues to operate as a fully operational bank. All clients were informed of this new business strategy at the beginning of 2020.

Post-balance sheet events (continued)

On 1 April 2021, the Board of Managing Directors resolved in principle on its intention to merge into its sole shareholder, DZ BANK AG Deutsche Zentral-Genossenschaftsbank Frankfurt am Main, by means of an upstream merger in HY2 2022. Until completion of the merger, DVB will continue to act as a reliable partner to its clients, ensuring the preservation of close dialogue with its existing clients and other relevant stakeholders.

Given the envisaged upcoming merger of DVB Bank SE with DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, the Board of DTFL in cooperation with a project group, started late 2021 a process to explore the sale of all the shares of DTFL. A competitive bidding process resulted in a number of interested parties and exclusivity was given to the bidder with the most compelling offer at that time. Unfortunately parties were not able to agree on certain main terms ultimately, and the sales process was terminated mid May 2022.

As a consequence, once the intended merger has materialized, DZ BANK AG Deutsche Zentral-Genossenschaftsbank,Frankfurt am Main, will become the 100% shareholder of DTFL and will provide the required support towards DTFL.

Other than the above, The Directors do not consider that any event since the year end has had a material effect on the position of the Company.

Risk summary and outlook

The DVB Group has organised its risk management and risk control functions in a manner that the Company complies with legal and regulatory requirements. The system is appropriately designed to efficiently monitor and manage all risks that the Group is exposed to. The methods to capture and manage risks were the subject of continuous development during 2021. The focus was once again on counterparty risk, which represents the Group's predominant type of risk. The Group continues to develop and refine its risk monitoring and risk management systems, to ensure compliance with the Basel II framework, as well as with the requirements of modern bank management.

The directors have assessed the Company's present position and consider the points below to be good indicators of the Company's ability to continue as a going concern:

- Size of portfolio
- Management of business risks
- Full support of the ultimate holding company

As stated above, the Company is a wholly-owned subsidiary of DVB Bank SE (or such entity that may by universal succession merge with DVB Bank SE) and is a core element DVB's transportation activities due to its unique geographical reach and local network. DVB Bank SE has confirmed that it will continue to provide financial support until the earlier of the next 12 months or the date when the parent company ceases to be the parent undertaking of DTFL whereby the undertaking contained shall cease to have effect. As such, this indicates that a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the ordinary course of business.

Risk summary and outlook (continued)

However, the operational support of DVB Bank SE is further established in Service Level Agreements. Given the size of the Company's portfolio and its related potential counterparty risk, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and for the next 12 months. Accordingly, the Directors continue to apply the going concern basis in preparing the annual report and financial statements.

Section 172 Statement

This section serves as our section 172 statement and should be read in conjunction with the Strategic report mentioned before. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term. Whilst the importance of giving due consideration to our stakeholders is not new, we are explaining in more detail this year how the Board engages with our stakeholders, thus seeking to comply with the requirement to include a statement setting out how our Directors have discharged this duty.

- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.
- The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves.
- The Board continues to enhance its methods of engagement.
- The Board has overseen the implementation of measures to ensure that stakeholder interests are always taken into account. The Company Secretary has included in each board meeting agenda a reminder of the section 172 duty and the duty is considered at each board meeting. Approval papers prepared by management for Board approval highlight relevant stakeholder considerations to be considered as part of the debate when making decisions. As required, the Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to stakeholder issues.

On behalf of the Board

Ralf Bedranowsky

Director

21 July 2022

DVB Transport Finance Limited (Registered Number 3588431)
Directors' report

The directors present their report and the audited financial statements of DVB Transport Finance Limited ("the Company") for the year ended 31 December 2021, which were approved by them on 21 July 2022.

Directors and their interests

The directors during the year and the present membership of the Board is set out on page 1. None of the directors had any interest in the shares of the Company during the year. The directors are exempt from disclosing their interests in the shares or debentures of the immediate parent company, DVB Bank SE, and of the ultimate parent company, DZ Bank AG, as they are incorporated outside the UK.

Dividends

The directors do not recommend the payment of a dividend (2020: US$ Nil) for the year.

Future developments

Please refer to "Review of developments, strategy and future prospects" on page 2.

Financial instruments

Please refer to Note 21 to 23 in the financial statements.

Directors' indemnity and director's and officers' liability insurance

The Company maintains a Directors' and Officers' Liability Insurance policy. The Board may also indemnify a director from the assets of the Company against any costs or liability incurred as a result of their office, to the extent permitted by law. Neither the insurance policy nor any indemnities that may be provided by the Company provide cover for fraudulent or dishonest actions by the directors. However, costs may be advanced to directors for their defence in investigations or legal actions.

Going concern

Please refer to "Risk Summary and outlook" on page 7-8.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Appointment of auditors

In accordance with section 485 of the Companies Act 2006 a resolution for the appointment of PWC as auditors of the company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Ralf Bedranowsky

Director

21 July 2022

DVB Transport Finance Limited
Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF DVB TRANSPORT FINANCE LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of DVB Transport Finance Limited ("the Company") for the year ended 31 December 2021 which comprise the Profit and loss account, the Statement of other comprehensive income, the Balance Sheet and the Statement of Changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements which indicates that the Company is reliant on financial support from its parent company, DVB Bank SE, which is not legally binding and may cease following the completion of the intended merger of DVB Bank SE with another group entity. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic report, Directors' report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Auditor's responsibilities for the audit of the financial statements Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management and the board ;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reviewing minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Dan Taylor
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Dan Taylor (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
22 July 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

DVB Transport Finance Limited
Profit and loss account for the year ended 31 December 2021

	Notes	2021 US$ 000	2020 US$ 000
Interest receivable	3	7,304	10,147
Interest payable	3	(1,056)	(11,557)
Net Interest Income		**6,248**	**(1,410)**
Fees and commissions receivable	4	45	-
Fees and commissions payable	4	(54)	(9)
Net Fees and Commissions		**(9)**	**(9)**
Dealing (losses)/profits	5	**(1,569)**	**1,607**
Other operating income	6	**3,879**	**8,262**
Administrative expenses	7	**(1,132)**	**(1,011)**
(a) Staff costs		(551)	(555)
(i) Wages and salaries		(506)	(507)
(ii) Social security costs		(45)	(48)
(b) Other administrative expenses		(581)	(456)
Depreciation and amortisation	7	**(350)**	**(368)**
Other operating charges	6	**(2,354)**	**(3,567)**
Provisions	12	**(48)**	**(4,962)**
(a) Provisions for bad and doubtful debts		(48)	(4,962)
Adjustments to provisions	12	**3,929**	**2,661**
(a) Adjustments to provisions for bad and doubtful debts		3,929	2,661
Profit on ordinary activities before tax		**8,594**	**1,203**
Tax expense	9	**(6,277)**	**74**
Profit for the financial year		**2,317**	**1,277**

There are no recognized gains and losses other than those stated above and no separate statement of total recognized gains and losses has been presented.

The accounting policies and notes on pages 19 to 45 form an integral part of these financial statements.

DVB Transport Finance Limited
Balance sheet as at 31 December 2021

	Notes	2021 US$ 000	2020 US$ 000
Loans and advances to banks	10	**43,777**	**90,831**
(a) Repayable on demand		43,777	90,831
(b) Other loans and advances		-	-
Loans and advances to customers	11	**156,282**	**237,749**
(a) after one year		143,778	214,753
(b) within one year		12,511	26,442
(c) Allowance of credit losses	12	(7)	(3,446)
Tangible fixed assets	13	**68**	**110**
Lease Asset	14	**175**	**474**
Other assets	15	**297**	**329**
Prepayments and accrued income		**9**	**8**
Current Tax Assets		**172**	**567**
Deferred Tax Assets	16	**517**	**2,196**
Total assets		**201,297**	**332,264**
Deposits by banks	17	**(156,833)**	**(243,591)**
(a) With agreed maturity dates or periods of notice		(156,833)	(243,591)
Accruals and deferred income		**(219)**	**(128)**
Provisions for liabilities	18	**(5,400)**	**(1,699)**
Deferred Tax liabilities	16	**(528)**	**(171)**
Other liabilities	19	**(32)**	**(192)**
Lease Liability	14	**(193)**	**(536)**
Total liabilities		**(163,205)**	**(246,317)**
Called up share capital	20	**(1,234)**	**(1,234)**
Share premium account	20	**(-)**	**(24,096)**
Capital contribution	20	**(28,500)**	**(54,576)**
Reserves	20	**(6,041)**	**(4,764)**
(a) Retained earnings		(6,041)	(4,764)
Profit and loss account	20	**(2,317)**	**(1,277)**
Total equity		**(38,092)**	**(85,947)**
Total equity and liabilities		**(201,297)**	**(332,264)**

The accounting policies and notes on pages 19 to 45 form an integral part of these financial statements.
The financial statements on pages 16 to 45 were approved by the Board of directors on 21 July 2022 and signed on its behalf by:

Ralf Bedranowsky

Sebastian Kanski

DVB Transport Finance Limited
Statement of changes in equity as at 31 December 2021

US$ 000	Called up share capital	Share premium	Capital contribution	Retained earnings	Profit and loss account	Total equity
At 1 January 2020	1,234	24,096	54,576	154	4,611	84,671
Transfer 2019 profit to retained earnings	-	-	-	4,611	(4,611)	-
Foreign Exchange	-	-	-	(1)	-	(1)
Profit for the year	-	-	-	-	1,277	1,277
At 31 December 2020	1,234	24,096	54,576	4,764	1,277	85,947

US$000	Called up share capital	Share premium	Capital contribution	Retained earnings	Profit and loss account	Total equity
At 1 January 2021	1,234	24,096	54,576	4,764	1,277	85,947
Transfer 2020 profit to retained earnings	-	-	-	1;277	(1,277)	-
Capital reduction	-	(24,096)	(25,904)	-		(50,000)
Foreign Exchange	-	-	(172)	-	-	(172)
Profit for the year	-	-	-	-	2,317	2,317
At 31 December 2021	1,234	-	28,500	6,041	2,317	38,092

1 Accounting Policies

Basis of preparation

DVB Transport Finance Limited (the "Company" or "DTFL") is a UK limited company by shares incorporated under the Companies Acts in England and Wales. These financial statements have been prepared on a going concern basis under the historical cost convention (except for certain instruments held at FV) and in accordance with the Companies Act 2006, Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. Certain captions such as turnover and cost of sales, as prescribed in the Companies Act 2006, do not have meaningful equivalents for the business of the Company and are not specified in the financial statements. Accordingly, the precise format requirements of the Companies Act 2006 have been varied as, in the opinion of the directors, this is necessary in order to show a more appropriate view of the Company's position.

The Company's financial statements are presented in US dollars and all values are rounded to the nearest thousand dollars (US$000) except when otherwise indicated.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

The Company has taken advantage of the following disclosure exemptions under FRS101:

(a) the requirement in paragraph 6 and 21 of IFRS 1 First Time Adoption of International Financial Reporting Standards
(b) the requirements in paragraph 38 of IAS 1 Presentation of Finance Statements to present comparative information in respect of:
    (i) Paragraph 79(a)(iv) of IAS 1; and
    (ii) Paragraph 73(e) of IAS 16 Property Plant and Equipment.
(c) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 of IAS 1 Presentation of Financial Statements;
(d) The requirements of IAS 7 Statement of Cash Flows;
(e) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
(f) The requirements of paragraph 17 of IAS 24 Related Party Disclosures.

Accounting Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates have had the most significant effect on amounts recognised in the financial statements:

- Allowance for credit losses and loan loss provisions (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,

1 Accounting Policies (continued)

Accounting Estimates (continued)

to the current and future macroeconomic development as well as the financial performance of individual borrowers, and are made at Stage 3 on an individual basis. 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 Company loan portfolios.
This information is used to establish the probability of default (PD) and loss given default (LGD), and is thus part of DVB's risk provisioning at Stages 2 and 3.

- Income tax assets and income tax liabilities

  The determination of deferred income tax assets and liabilities is based on estimates of future taxable profit of the taxable entities. These estimates above all impact the assessment of the recoverability of deferred tax assets. In addition, judgements have to be made with regard to income tax-related matters in the context of calculating current income tax assets and income tax liabilities as at the date of preparing the financial statements under commercial law.

- IFRIC 23 - Uncertainty over Income Tax Treatments

  The interpretation IFRIC 23 – Uncertainty over Income Tax Treatments – clarifies the accounting treatment for uncertainties in the determination of taxable profit, tax bases, unused tax losses and credits as well as tax rates. In line with IFRIC 23, recognition and measurement has to be made always on the basis of full knowledge of available information from the tax authorities, regardless of the presentation on the income tax filings. If a company assumes that certain tax structures will not be accepted, income taxes have to be recorded at the most likely amount or at the expected value, depending on which value best reflects the existing risk.

- Fair value of financial assets and financial liabilities

  The determination of fair values of financial assets and financial liabilities is subject to estimation uncertainties if no prices are available on active markets for the relevant financial instruments. Estimation uncertainties occur above all when the fair values are determined using valuation techniques which are based on significant unobservable measurement parameters. The assumptions and valuation techniques used to determine fair values when market values were not available are set out in Note 22.

- Property and equipment

  The recognition of items of property and equipment is subject to estimates for determining the fair value as 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 judgements, which were made using all existing information in accordance with the IFRS standards.

  In order to determine impairments of property and equipment items, estimates are made which relate, among other things, to the cause, 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 judgements 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

1 **Accounting Policies (continued)**

- Property and equipment (continued)

value less costs to sell and value in use) is typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions.

- IFRS 16 – Leases

On 13 January 2016, the IASB issued the final version of IFRS 16 – Leases. The standard is required to be applied for business years beginning on or after 1 January 2021. The amendments to IFRS 16 are substantial, in particular for lessees, as most leasing contracts will have to be recognised by lessees as well. At DTFL, this largely applies to rental agreements for office space. In this context, DTFL applied the convenience rules permitted with regard to intangible assets, short-term leases and low-value assets.

DTFL does not apply the recognition and measurement requirements of IFRS 16 for short-term leases and leases for low-value assets (carrying amount < €5,000). The initial application of IFRS 16 is made on the basis of the modified retrospective method, with the cumulative effects from the initial application being reflected as an adjustment in equity. On the date of initial application of IFRS 16, DTFL recognised lease liabilities at the present value of the remaining lease payments. The present value was calculated by discounting the remaining lease payments with the incremental borrowing rate to the date of first-time application. The corresponding right-of-use assets were reported in the amount of the lease liabilities.

Due to the recognition of future right-of-use assets in relation to leased assets and corresponding lease liabilities for the payment obligations incurred. The first-time application did not result in any effects to be recognised in profit or loss.

Income recognition

The Company's income consists mainly of interest receivable, fees as well as commissions receivable. The accounting policies regarding the recognition of these types of income are set out below.

Interest receivable

Interest is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to its net carrying amount.

Interest payable

Interest payable is expensed using the effective interest method.

1 **Accounting Policies (continued)**

Fees and commissions receivable

Commitment fees are recognised as deferred liabilities until disbursement of the loans and subsequently amortised over the term of the underlying loan using the effective interest rate method. Other fees received on loans granted are taken to the profit and loss account in the year they are earned.

Fees and commission payable

Other fees, including bank charges are charged to the profit and loss account in the year in which they are incurred.

Foreign currency translation

Exchange gains and losses on the Company's assets and liabilities denominated in currencies other than the functional currency, US dollars, are recorded in the profit and loss account.

i) Non-monetary assets are translated into US dollars at the rates ruling on the date of acquisition.

ii) Monetary assets and liabilities denominated in currencies other than the functional currency, US dollars, are translated into US dollars at the foreign exchange rate ruling at the date of the transaction. These are retranslated to the year-end rate each year with any differences taken to the profit and loss account.

iii) Revenue and expenses denominated in currencies other than the functional currency, US dollars, are recorded in US dollars at the monthly average rates.

iv) The share capital is translated from Sterling to US dollars using the historical rate as at the date of initial subscription.

v) The exchange rate between US$ and GBP as at 31 December 2021 was 1.3649 US$/£(2020: 1.2800 US$/£)

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and any permanent diminution in value. Maintenance and repair costs are charged to the profit and loss account as incurred.

Depreciation is calculated so as to write off the cost of the fixed assets on a straight-line basis over their estimated useful lives. A change in estimated useful life, resulting in an adjustment to depreciation charges is made prospectively. For any acquisition or disposal during the year the depreciation charge will be calculated on a daily basis. The following depreciation rates are used:

Fixtures and fittings:	10-25%	(4 to 10 years)

As at 31 December 2021, DTFL had rental agreements for office buildings that are classified as leases under IFRS 16. The incremental borrowing rate (for the term and currency involved) is used to discount lease payments for the calculation of present value upon initial recognition of the right of use.

1 **Accounting Policies (continued)**

Financial instruments

Financial assets
Financial assets within the scope of IFRS 9 are classified as financial assets measured at amortised cost, financial assets measured at fair value through profit or loss, assets designated as at fair value through profit or loss or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company determines the classification of its financial assets and liabilities at initial recognition. When financial assets are recognised initially they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial assets include (but are not limited to) balances held with banks, loans and advances to customers.

The subsequent measurement of financial assets are as follows:

Loans and advances to customers
Loans and advances to customers are shown on a net basis (with allowance for credit losses) and are carried at amortised cost using the effective interest method. Accordingly discounts or premium arising on the acquisition of loans are netted of against the acquired loan book and amortised in the profit and loss account over the life of the loans using the effective interest method. Commitment fees are amortised in the same way as premiums and discounts. Amortised premiums, discounts and commitment fees are recognised by the Company as interest income.

Provision for non-recoverable debts will be made if, in the opinion of the directors, they are necessary in the light of general or inherent risk present in any portfolio. Specific provision will be made if, as a result of a detailed appraisal of the debtor portfolio, it is considered that recovery is doubtful for a specific debtor.

Balances held with banks

Balances held with banks are comprised of deposit accounts and loans to banks. Amounts held with banks are carried at cost.

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Financial liabilities include (but are not limited to) deposits by banks, customer accounts and other liabilities, other liabilities include liabilities from leases to be accounted in accordance with IFRS 16. These lease liabilities result from rental agreements for office buildings.

Financial liabilities are carried at amortised cost using the effective interest rate method.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet, if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1 **Accounting Policies (continued)**

Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 22.

Derivative instruments

The Company does not enter into speculative derivative contracts. Derivative instruments utilised by the Company are interest rate swaps. Such instruments are used for economic hedging purposes to alter the risk profile of an existing underlying exposure of the Company in line with the Company's risk management policy. According to IFRS 9 derivatives have to be categorised as "held for trading", which means that these contracts are initially and subsequently measured at fair value through P&L. The Changes in the fair value occurring between two balance sheet dates are recognised in the profit and loss account.

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, and are based upon the market price of comparable instruments at that date.

Pension costs

The Company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Operating Leases

In accordance with IFRS 16, 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, a lease is classified as a finance lease if it transfers substantially all risks and rewards to the lessee.

If beneficial ownership to the leased asset remains with DTFL, the lease is classified 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 and net income from operating leases, 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), DTFL 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.

1 **Accounting Policies (continued)**

Operating Leases (continued)

The main area where DTFL is the lessee within the context of operating leases is the use of office buildings. The lease payments made from operating leases lead to a reduction of the lease liability.

DTFL has rented the office space it uses. This rental agreement is lease agreements pursuant to IFRS 16, which include extension and termination options. To the extent that DTFL believes that the exercise of these options is probable, these options are taken into account in determining the contract term and, hence, in the measurement of the right-of-use asset and the lease liability. The entirety of the existing extension and termination options ensure that DTFL has, at any time, sufficient office premise, but that in the case of leaving or changing the location DTFL does not incur any vacancy costs of economic relevance.

Property and equipment, are tested for impairment at least annually. The opinions provided by external experts are generally considered the benchmark for determining whether leased assets and other items of property and equipment are impaired. 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.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences (when and if they arise) are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Going concern

On 1 April 2021, the Board of Managing Directors resolved in principle on its intention to merge into its sole shareholder, DZ BANK AG Deutsche Zentral-Genossenschaftsbank Frankfurt am Main, by means of an upstream merger in HY2 2022. Until completion of the merger, DVB will continue to act as a reliable partner to its clients, ensuring the preservation of close dialogue with its existing clients and other relevant stakeholders.

Going concern (continued)

Given the envisaged upcoming merger of DVB Bank SE with DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, the Board of DTFL in cooperation with a project group, started late 2021 a process to explore the sale of all the shares of DTFL. A competitive bidding process resulted in a number of interested parties and exclusivity was given to the bidder with the most compelling offer at that time. Unfortunately parties were not able to agree on certain main terms ultimately, and the sales process was terminated mid May 2022.

As a consequence, once the intended merger has materialized, DZ BANK AG Deutsche Zentral-Genossenschaftsbank,Frankfurt am Main, will become the 100% shareholder of DTFL and will provide the required support towards DTFL.

Other than the above, The Directors do not consider that any event since the year end has had a material effect on the position of the Company.

The directors have assessed the Company's present position and consider the points below to be good indicators of the Company's ability to continue as a going concern:

- Size of portfolio
- Management of business risks
- Full support of the ultimate holding company

As stated above, the Company is a wholly-owned subsidiary of DVB Bank SE (or such entity that may by universal succession merge with DVB Bank SE) and is a core element DVB's transportation activities due to its unique geographical reach and local network. On 1 April 2021, the Board of Managing Directors resolved in principle on its intention to merge DVB Bank SE into its sole shareholder, DZ BANK AG Deutsche Zentral-Genossenschaftsbank Frankfurt am Main, by means of an upstream merger in HY2 2022. As a consequence, once the intended merger has materialized, DZ BANK AG Deutsche Zentral-Genossenschaftsbank,Frankfurt am Main, will become the 100% shareholder of DTFL.

While DTFL is profitable and in an overall net asset position, it does rely on cash inflows from its parent company DVB Bank SE to support it's liquidity. DVB Bank SE, without issuing any binding commitments, has confirmed that it intends to continue to provide financial support until the earlier of the next 12 months from approval of the financial statements or the date when the parent company ceases to be the parent undertaking of DTFL, whereby the undertaking contained shall cease to have effect. Following completion of the intended merger, the directors of DTFL expect that the shareholder, DZ BANK AG Deutsche Zentral-Genossenschaftsbank,Frankfurt am Main, will provide the necessary financial support, however no formal commitment in this regard have been received.

Taking into account the expectation of financial support being available to DTFL, together with the size of the Company's portfolio and its related potential counterparty risk, the Directors believe that the Company has adequate resources to continue in operational existence for the next 12 months following the approval of the financial statements. Accordingly, the directors continue to apply the going concern basis in preparing the financial statements, they acknowledge that DTFL's reliance on financial support from its parent, which is not legally binding and may cease following the completion of the intended merger, indicates that a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the ordinary course of business.

2 Segmental and geographical analysis

The directors regard the Company as having one activity which is that of providing transportation finance to customers.

The percentage of interest receivable (excluding VAT) attributable to different geographies is as follows:

	2021	2020
Asia	100%	99%
USA and Others	0%	0%
Europe	0%	1%
Australia	0%	0%
Total	**100%**	**100%**

3 Net interest income

Net interest income for the year is broken down as follows:

US$ 000	2021	2020
Interest income		
from customers	7,304	10,040
from bank deposits with Group entities	-	107
Interest income	**7,304**	**10,147**
Interest expenses		
to parent undertaking	(912)	(11,290)
Others	(144)	(267)
Interest expenses	**(1,056)**	**(11,557)**
Net interest (expense)/income	**6,248**	**(1,410)**

During the year, interest income from financial instruments not measured at fair value through profit or loss amounted to US$7.3m (2020: US$10.1m), and interest expense amounted to US$0.9m (2020: US$11.3m). Net interest income includes interest income in the amount of US$560k (2020: US$ 623k) attributable to impaired loans and advances.

4 Net fee and commission income

Net fee and commission income for the year is broken down as follows:

US$ 000	2021	2020
Fee and commission income		
from the lending business		
Arrangement Fees	-	-
Upfront Fee	-	-
Other fee and commission income	45	-
Fee and commission income	**45**	**-**
Fee and commission expenses	(48)	
Payment Transactions	(6)	(9)
Fee and commission expenses	**(54)**	**(9)**
Net fee and commission expense	**(9)**	**(9)**

5 Dealing profits

The dealing profits and losses include the following:

US$ 000	2021	2020
Net income/(loss)from foreign exchange movements	(1,569)	1,607
Dealing profits/(losses)	**(1,569)**	**1,607**

6 Net other operating income

Net other operating income/charges were as follows:

US$ 000	2021	2020
Income		
from other operating income from group companies	25	6
from miscellaneous other income	3,854	8,256
Other operating income	**3,879**	**8,262**
Expenses		
Expense for Intra Group Services	(2,309)	(2,904)
from miscellaneous other expenses	(45)	(663)
Other operating charges	**(2,354)**	**(3,567)**
Net other operating income	**1,525**	**4,695**

7 Administrative expenses

Administrative expenses for the year are as follows:

US$ 000	2021	2020
Wages and salaries	(506)	(507)
Social security contributions	(45)	(48)
Staff costs	**(551)**	**(555)**
Other operating costs	(35)	(27)
Business travel	(-)	(1)
Memberships & associations	(1)	(1)
Office supplies	(12)	(12)
Legal and auditing fees	(254)	(251)
Other advisory services	(213)	(95)
IT costs	(54)	(57)
Occupancy costs	(12)	(12)
Non-staff expenses	**(581)**	**(456)**
Total depreciation, amortisation, impairment and write–offs	**(350)**	**(368)**
Total administrative expenses	**(1,482)**	**(1,379)**

Legal and auditing fees included fees for auditors in the amount of US$221k (2020: US$225k). Legal and auditing fees were comprised of the following individual items:

US$ 000	2021	2020
Audit fees	(221)	(225)
Other attestation services	(33)	(26)
Total fees	**(254)**	**(251)**

The average monthly number of employees during the year was 2 (2020: 3).

8 Director remunerations

None of the directors received any emoluments during the year for their services to the company nor received any benefits from the company (2020: US$ Nil). The directors are employed and remunerated by other companies in the DVB Bank SE Group in respect of their services to the Group as a whole. The directors received total remuneration in the year 2021 of US$ 2,887,263 (2020: US$2,089,742), all of which was paid by DVB Bank SE Group. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the DVB Bank SE Group and fellow subsidiary companies.

9 Taxation

US$ 000 Income taxes were as follows	**2021**	**2020**
UK corporation tax	(1,585)	-
Current year	-	(183)
Adjustments in respect of prior years	69	-
	(1,516)	**(183)**
Double tax relief	1,585	-
Foreign Tax		
Current year	(4,331)	(471)
Adjustments in respect of prior years		
	(4,331)	**(471)**
Total current tax	(4,262)	**(654)**
Deferred tax (note 16)	(2,015)	**728**
Total income taxes	**(6,277)**	**74**

Corporation tax is calculated at 19% (2020: 19%) of the estimated taxable profit for the year.

9 Taxation (continued)

The charge for the year can be reconciled to the profit in the income statement as follows:

	2021	2020
	US$ 000	US$ 000
Profit on ordinary activities before tax	**8,595**	**1,203**
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(1,633)	(229)
Permanent differences	(7)	-
Group relief for no consideration		
Double tax relief	1,585	-
FX differences		
Foreign taxes suffered	(4,331)	(471)
Current tax prior year adjustment	69	
Deferred tax prior year adjustment	(39)	
Write off of UK DTA	(556)	
Movements on deferred tax impacting foreign tax liability	(1,365)	774
Tax (income) /expense for the year	**(6,277)**	**74**

10 Loans and advances to banks

US$ 000	2021	2020
Loans and advances		
thereof: payable on demand	43,777	90,831
Money market transactions	-	-
thereof: with a limited term	-	-
Total loans and advances to banks	**43,777**	**90,831**
Japanese Banks	156	185
Other foreign banks	43,621	90,646
Total loans and advances to banks	**43,777**	**90,831**

Included within the loans and advances to banks is US$43.6m (2020: US$90.6m) which is held with DVB Bank SE, who is the immediate parent company.

11 Loans and advances to customers

US$ 000	2021	2020
Loans and advances		
thereof: within one year	12,511	26,442
thereof: after one year	143,778	214,753
Allowance for credit losses (note 12)	(7)	(3,446)
Total loans and advances to customers	**156,282**	**237,749**
Japanese Customers	156,282	237,749
Total loans and advances to customers	**156,282**	**237,749**

Loans and advances to customers domiciled in these countries are not materially exposed to country-specific risks, especially due to the fact that the relevant claims are collateralised by the financed transport assets.

12 Allowance for credit losses

The allowance for credit losses is based on rules applied consistently throughout the Company and covers all credit risks known as at the reporting date. For losses incurred, but not yet identified, a portfolio-based allowance for credit losses (portfolio impairment) is recognised on the basis of historical experience.

The specific allowance for credit losses of US$ Nil (2020: US 3,355k) exclusively relates to loans and advances to customers, as of 1 January 2021, four contracts were recorded as non-performing loans with a total of US 3,355k of loan loss allowance. Due to the sale of one loan contract and an improvement of expected future cash flows for the remaining three contracts, the loan loss allowance is reduced to US Nil as of 31 December 2021. All non-performing loans under stage 2 were sold. In 2021, the $7k stage 1 loan loss allowance is with regards to a gross loan balance of $140.5m

Allowance for credit losses (US$ 000)

	Stage 1		Stage 2		Stage 3		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Allowance for credit losses as at 1 January	68	19	23	285	3,355	-	3,446	304
Additions	16	236	2	195	30	3,314	48	4,962
Reversals	(77)	(141)	(25)	(28)	(3,827)	(916)	(3,929)	(2,661)
Unwinding	-	-	-	-	(560)	(623)	(560)	(623)
Interest related increase of impairments	-	-	-	-	1,002	1,461	1,002	1,461
Transfers	-	(117)	-	117	-	119	-	-
Release	-	-	-	-	-	-	-	2
FX difference	-	-	-	-	-	-	-	1
Allowance for credit losses as at 31 Dec	**7**	**68**	**-**	**23**	**-**	**3,355**	**7**	**3,446**

13 Tangible fixed assets

US$ 000	Fixtures & Fittings
Cost	
At 1 January 2021	380
Additions	9
Disposals	(1)
At 31 December 2021	388
Accumulated depreciation	
At 1 January 2021	(270)
Disposals	1
Charge for the year	(51)
At 31 December 2021	(320)
Net book value	
At 31 December 2021	**68**
At 31 December 2020	**110**

14 Leases

Right of use Assets

	Land and buildings
	USD
At 01st January 2021	474
Depreciation	(285)
Foreign exchange	(14)
At 31 December 2021	175

As at 31 December 2021, DTFL had rental agreements for office buildings that are classified as leases under IFRS 16. The incremental borrowing rate (for the term and currency involved) is used to discount lease payments for the calculation of present value upon initial recognition of the right of use.

Lease Liabilities

Beginning balance	(536)
Interest Expense	(4)
Lease Payment	306
Foreign exchange	41
At 31 December 2021	193

At 31 Dec 2021	Up to 3 months $000	Between 3 and 12 months $000	Between 1 and 2 years $000	Between 2 and 5 years $000
Lease Liabilities	72	121	-	-

15 Other assets

US$ 000	**2021**	**2020**
Security deposit	270	301
Other Assets	27	28
Total other assets	**297**	**329**

DVB Transport Finance Limited
Notes to the financial statements for the year ended 31 December 2021 (continued)

16 **Deferred Tax Assets/Liability**

Movement in deferred tax during the year

	1 January 2021	Recognised in income statement	Recognised in retained earnings	31 December 2021
	US$ 000	US$ 000	US$ 000	US$ 000
Spreading of FRS 101 transitional adjustment	23	(8)	-	15
Other temporary differences	2,002	(1,280)	-	722
Total deferred tax assets/(liabilities)	2,025	(1,288)	-	737

	1 January 2020	Recognised in income statement	Recognised in retained earnings	31 December 2020
	US$ 000	US$ 000	US$ 000	US$ 000
Spreading of FRS 101 transitional adjustment	31	(8)	-	23
Other temporary differences	1,220	782	-	2,002
Total deferred tax assets	1,251	774	-	2,025

In the 3 March 2021 Budget, it was announced that the UK corporation tax rate would increase to 25% by 2023, and this change was substantively enacted on 24 May 2021. Accordingly, 25% has been used in the measurement of deferred tax balances at 31 December 2021.

A deferred tax liability of US$528k (2020: 171k) has been recognised. A foreign exchange impact of US$76k (2020: US$46k) is included in the deferred tax assets/liability recognised in the income statement. The 'other temporary differences" relates to the reserve for bonus, holiday claim, pending legal issues and tax litigation, restructuring, specific loan loss provision, general loan loss provision, excess depreciation, FRS 9 transitional adjustments and accelerated capital allowances.

17 **Deposits by banks**

US$ 000	2021	2020
Deposits by banks		
thereof: with a limited term	(156,833)	(243,591)
Total deposits by banks	**(156,833)**	**(243,591)**
Foreign banks	(156,833)	(243,591)
Total deposits by banks	**(156,833)**	**(243,591)**

Deposit balances and facilities	Repayment terms	Interest rate	Drawn down balance 2021 US$ 000	Drawn down balance 2020 US$ 000
DVB Bank, SE	Repayments are due on last day of interest period or latest on termination date	Between 0.13% and 2.67%	156,619	230,350

The interest rates on loans are determined with reference to fixed rates or interbank offered rates.

18 **Provisions**

US$ 000	2021	2020
Bonus provisions	(101)	(135)
Other provisions	(5,299)	(1,564)
Total provisions	**(5,400)**	**(1,699)**

US$ 000	Balance as at 1 January 2021	Additions	Utilisation	Reclassification	Exchange rate changes	Balance as at 31 December 2021
Bonus provisions	(135)	(55)	77	-	12	(101)
Other provisions	(1,564)	(4,101)	222	-	144	(5,299)
Total provisions	**(1,699)**	**(4,156)**	**299**	**-**	**156**	**(5,400)**

US$ 000	Balance as at 1 January 2020	Additions	Utilisation	Reclassification	Exchange rate changes	Balance as at 31 December 2020
Bonus provisions	(188)	(46)	107	-	(8)	(135)
Other provisions	(1,446)	(216)	170	-	(72)	(1,564)
Total provisions	**(1,634)**	**(262)**	**277**	**-**	**(80)**	**(1,699)**

19 **Other liabilities**

US$ 000	2021	2020
Other tax liabilities	(1)	(174)
Items in the course of settlement and clearing	(31)	(18)
Total other liabilities	**(32)**	**(192)**

20 Equity

Equity is broken down as follows:

US$ 000	2021	2020
Called up share capital	(1,234)	(1,234)
Share premium	-	(24,096)
Capital contribution	(28,500)	(54,576)
Retained earnings	(6,041)	(4,764)
Distributable profit	(2,317)	(1,277)
Total equity	**(38,092)**	**(85,947)**

20.1 Called up share capital

	2021 No.	2021 US$ 000	2020 No.	2020 US$ 000
Authorised	822,266	1,234	822,266	1,234
Allotted, called-up and fully paid	822,266	1,234	822,266	1,234

As explained in note 1, the sterling share capital has been translated into US$ using the historical rates prevailing at the date of initial subscription. By ordinary resolution, an increase in the authorised share capital of the company from GBP 512,381 divided into 512,381 ordinary shares of GBP 1 each to GBP 822,266 divided into 822,266 ordinary shares of GBP 1 each was made on 18 December 2012 using the prevailing exchange rate of 1.6207 US$/£. These shares were then issued for GBP 1 each fully paid.

20.2 Share premium

The share premium includes the initial share contribution received from parent, we have made 2 capital reductions in 2021 with a total value of $50m, each for $25m which was deducted from the share premium and Capital contribution.

20.3 Capital contribution

The capital contribution includes the capital contribution received from parent, we have made 2 capital reductions in 2021 with a total value of $50m, which was deducted from the share premium and Capital contribution

20.4 Retained earnings

Retained earnings comprise the undistributed profits of the Company.

21 **Classes and categories of financial instruments**

The carrying amounts of financial assets and financial liabilities were allocated to the classes and categories (or sub-categories) of financial instruments as indicated in the table below:

US$ 000	2021 Book value	2021 Fair value	2020 Book value	2020 Fair value
Loans and receivables				
thereof: loans and advances to banks	43,777	43,777	90,831	90,831
thereof: loans and advances to customers	156,330	160,688	237,749	243,863
Finance assets measured at amortised costs	**200,107**	**204,465**	**328,580**	**334,694**

US$ 000	2021 Book value	2021 Fair value	2020 Book value	2020 Fair value
Financial liabilities held for trading				
Deposits by banks	(156,833)	(156,833)	(243,591)	(243,591)
Finance liabilities measured at amortised costs	**(156,833)**	**(156,833)**	**(243,591)**	**(243,591)**

22 **Determination of fair values of financial instruments**

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 financial instruments which are not listed on an active market is determined on the basis of accepted valuation models used uniformly throughout all classes. To the extent that the measurement models use inputs that are largely observable on the market, the resulting fair values are allocated to Level 2. To the extent that the measurement models use inputs that are largely not observable on the market, the resulting fair values are allocated to Level 3.

22 Determination of fair values of financial instruments (continued)

Non-derivative financial instruments as well as derivative financial instruments with no option components are measured using the Discounted Cash Flow method (DCF). Currency-specific swap curves are used to determine the discount rate. Derivative financial instruments with option components are measured using accepted option pricing models (Black-Scholes-/Black-76-model) using implied volatilities that can be observed on the market. The measurement models use parameters that largely can be observed on the market. Since November 2012, the fair value of Level 2 financial instruments has been determined using forward curves with consistent tenors. The forward rate curves are structured based on homogeneous tenors.

The fair value of over-the-counter derivative financial instruments (if any) is measured using the net risk exposure, using the exception provided in IFRS 13.48. In the first step, credit risk is not taken into account. In a second step, credit risk exposure from derivative financial instruments is recorded after determining the net risk exposure. Credit valuation adjustments (CVA) and debit valuation adjustments (DVA) are applied to derivative financial instruments, whereby the instruments at hand are largely non-optional. A semi-analytical approach is applied to determine CVA/DVA, calculating the relevant values using economic loss rates as well as probabilities of default matching the terms of the instruments. The CVA amounts are determined based on the formula per netting set specified in the Accounting Principle issued by the Institute of Public Auditors in Germany RS HFA 47 No. 96. The CVA particularly reflects the expected exposures per netting set. The expected exposures per netting set are used to approximate the expected exposures per instrument and accordingly to allow the determination of the CVA amounts for individual transactions. The DVA amounts are allocated by analogy on the basis of the expected negative exposure.

In addition, a liquidity spread derived from market parameters is applied for the valuation of non-derivative liabilities.

Allocation of fair values to Level 3 applies when there are significant inputs that are not directly observable on the market. The essential input factor which cannot be directly derived from market parameters is the credit spread, which is calculated based on the expected probabilities of default published by Standard & Poor's.

During the year under review, there were no reclassifications between the individual levels of financial instruments measured at fair value through profit or loss. For certain classes of financial instruments (cash and balances with the central bank, loans and advances to banks, other assets and other liabilities), the fair value is stated as the carrying amount, as an approximation.

DVB Transport Finance Limited
Notes to the financial statements for the year ended 31 December 2021 (continued)

22 **Determination of fair values of financial instruments (continued)**

Determination of fair values of financial instruments measured at amortised cost (US$ 000)

	Level 1		Level 2		Level 3	
	2021	2020	2021	2020	2021	2020
Loans and receivables						
thereof: loans and advances to banks	-	-	-	-	43,777	90,831
thereof: loans and advances to customers	-	-	-	-	160,688	243,863
Assets measured at amortised cost	-	-	-	-	**204,465**	334,694
Deposits from other banks	-	-	156,833	243,591	-	-
Liabilities measured at amortised cost	-	-	**156,833**	**243,591**	-	-

23 **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 directors and strategic report and are in accordance with the provisions of IFRS 7.

Maturity groupings of financial instruments is presented below, based on contractual undiscounted future cash flows and remaining maturities at the reporting date:

23 **Risks arising from the use of financial instruments (continued)**

2021 **US$ 000**	**Payable on demand**	**Less than one year**	**More than one but not more than two years**	**More than two years but not more than five years**	**More than five years**	**Impairment**	**Total**
Loans and advances to banks	43,777	-	-	-	-	-	**43,777**
Loans and advances to customers	-	57,288	44,314	62,014	-	(7)	**163,609**
Total financial instruments assets	43,777	57,288	44,314	62,014	-	(7)	**207,386**
Deposits from other banks	-	53,236	41,002	64,721	-	-	158,959
Total financial instruments liabilities	-	**53,236**	**41,002**	**64,721**	-	-	**158,959**

2020 **US$ 000**	**Payable on demand**	**Less than one year**	**More than one but not more than two years**	**More than two years but not more than five years**	**More than five years**	**Impairment**	**Total**
Loans and advances to banks	90,831	-	-	-	-	-	90,831
Loans and advances to customers	10,670	81,107	56,828	100,759	5,387	(3,446)	251,305
Total financial instruments assets	**101,501**	**81,107**	**56,828**	**100,759**	**5,387**	**(3,446)**	**342,136**
Deposits from other banks	-	75,607	52,969	100,403	5,320	-	234,299
Total financial instruments liabilities	-	**75,607**	**52,969**	**100,403**	**5,320**	-	**234,299**

23 **Risks arising from the use of financial instruments (continued)**

Maximum Credit Risk Exposure:

Credit risk concentration and maximum credit risk exposure by business division (lending volume - USD mn)

Loans, commitments and other non-derivative off-balance sheet assets

	2021	**2020**
Shipping Finance	156.3	237.7
Total	**156.3**	**237.7**

There were no commitments or other non-derivative off-balance sheet assets during 2020 and 2021.

Credit risk concentration and maximum credit risk exposure by region (lending volume - USD mn)

Loans, commitments and other non-derivative off-balance sheet assets

	2021	**2020**
Europe	121.3	178.3
North America	19.2	24.8
Asia	15.8	34.6
Total	**156.3**	**237.7**

Credit risk concentration and maximum credit risk exposure by residual term (lending volume - USD mn)

Loans, commitments and other non-derivative off-balance sheet assets

	2021	**2020**
≤ 1 year	12.5	26.4
> 1 year ≤ 5 years	143.8	151.2
> 5 years	-	60.1
Total	**156.3**	**237.7**

24 **Equity capital management**

DTFL Tokyo Branch's equity is subject to the thin-capital requirements under the Japanese tax law.

In addition, DVB Bank SE, as the parent company, performs a yearly impairment test for its participations. Depending on the result in conjunction with thin capital rules, this can lead to a capital increase in order to avoid impairments on the book value of the participations that are booked within the accounts of DVB Bank SE.

25 Related party disclosures

Related party transactions are carried out at an arm's length basis.

DVB Transport Finance Limited carries out a number of banking transactions with group companies, including short-term borrowings and deposits.

The following tables show the transactions carried out by DVB Transport Finance Ltd with group companies.

US$ 000	2021	2020
Loans and advances to banks		
Fixed term deposits with immediate parent company	43,279	90,646
Total assets	**43,279**	**90,646**

Included within the loans and advances to banks is US$43.3 (2020: US$90.6m), which is held with DVB Bank SE, who is the immediate parent company.

US$ 000	2021	2020
Deposits by banks		
Fixed term deposits	(156,833)	(230,650)
Total liabilities	**(156,833)**	**(230,650)**

Included within the deposits by banks is US$156.8m (2020 US$230.6m), which is held with DVB Bank SE, who is the immediate parent company.

US$ 000	2021	2020
Intercompany expenses		
Intercompany interest expense (Note 3)	(911)	(11,290)
Expense for Intra Group Services (Note 6)	(2,309)	(2,904)
Total expense	**(3,220)**	**(14,194)**

Included within the total intercompany expenses US$3.2m (2020 US$14.1m), was paid to DVB Bank SE, who is the immediate parent company.

With effective date 7th November 2020 DVB Bank SE, Frankfurt, has provided until further notice multi-currency working capital facilities of EUR 5mn. to DVB Transport Finance Limited, Tokyo Branch, Tokyo, and EUR 4mn. to DVB Transport Finance Limited, London. The interest of the working capital facilities is €STR plus 75bps. margin p.a. on the drawn amount.

26 Subsequent events

On 1 April 2021, the Board of Managing Directors resolved in principle on its intention to merge into its sole shareholder, DZ BANK AG Deutsche Zentral-Genossenschaftsbank Frankfurt am Main, by means of an upstream merger in HY2 2022. Until completion of the merger, DVB will continue to act as a reliable partner to its clients, ensuring the preservation of close dialogue with its existing clients and other relevant stakeholders.

Given the envisaged upcoming merger of DVB Bank SE with DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, the Board of DTFL in cooperation with a project group, started late 2021 a process to explore the sale of all the shares of DTFL. A competitive bidding process resulted in a number of interested parties and exclusivity was given to the bidder with the most compelling offer at that time. Unfortunately parties were not able to agree on certain main terms ultimately, and the sales process was terminated mid May 2022.

As a consequence, once the intended merger has materialized, DZ BANK AG Deutsche Zentral-Genossenschaftsbank,Frankfurt am Main, will become the 100% shareholder of DTFL and will provide the required support towards DTFL.

The deplorable invasion of Ukraine by Russia and resulting humanitarian crisis has shocked the world and brought solidarity among western nations to condemn the aggression and bring unprecedented sanctions against Russia. Our thoughts are with the senseless suffering of the Ukrainian people. DVB has made financial donations to charities supporting the aid efforts in Ukraine providing help where it is desperately needed. The developments in Eastern Europe coupled with new COVID-related disruptions in China have brought turmoil to global markets and uncertainty for the global economic outlook. Our direct exposure to the situation in Russia and impact of sanctions is very limited; however, the broader economic effects and associated impact on the markets in which our remaining assets operate still remains to be seen

For a number of agricultural and energy-related commodities, Russia and Ukraine play significant roles in world trade. In the shorter term the question is how severe and for how long these trades may be interrupted. In the longer term, underlying trades in Russian and Ukrainian commodities may change depending on which part of the world will be the buyer. There are many unknowns at present and the longer-term impact will only develop in the period to come. Shipping markets potentially impacted by the Russian/Ukrainian war right now are mainly the dry bulk and tanker sectors. In the dry bulk market, a reduction in volumes could outweigh a potential increase in tonne-miles, whilst the tanker market could benefit from increased tonne-miles. Other sectors are less directly exposed to the conflict, although all markets/ sectors may face indirect consequences of the war through a commensurate reduction in economic activity.

Inflation, which has recently increased significantly, will continue to rise as a result of the sanctions against Russia and the failure of Ukraine as an important producer of raw materials. Uncertainty regarding the global economic development has increased materially, which is reflected in a general reduction in growth forecasts. This affects the maritime sector to varying degrees. Crude oil and LPG tankers as well as bulk carriers are expected to see stronger demand due to the substitution of energy supplies from Russia by other countries. The further development in the container carrier sector will depend on global economic growth. The Bank expects elasticity of demand for maritime transport services to be generally low, and that increased energy costs can be passed on to clients. Thus, the Bank generally assumes that the impact of the conflict will be minimal
To date, there have been no matters that warrant adjustment to the financial results as at 31 December 2021 and for the year then ended. The situation is closely monitored by the Company.

27 Ultimate holding company

The Company is a wholly-owned subsidiary of DVB Bank SE, its immediate parent company incorporated under the laws of Germany and the parent of the smallest group that prepares consolidated financial statements incorporating the results of the company; its ultimate parent company is DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, which is incorporated in Germany and which is the Company's controlling party. The consolidated financial statements of DZ Bank AG Deutsche Zentral-Genossenschaftsbank, `Frankfurt am Main, are publicly available at the following address:

DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
Am Platz der Republik
60325 Frankfurt
Germany

The consolidated financial statements of DVB Bank SE, Frankfurt am Main, are publicly available at the following address:

DVB Bank SE
Am Platz der Republik
60325 Frankfurt
Germany