

2005

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Highlights of 2005:

- **DAB bank beats its profit target with record earnings for the year**

DAB bank's pretax profit for 2005 was €23.89 million, 48.3% higher than the prior-year figure. The cost income ratio narrowed to 83.4%.

- **Substantially higher dividend proposed**

At the annual shareholders meeting, the Management Board and Supervisory Board will propose a full distribution of the unappropriated net profit for the year, which means the dividend will increase from 15 cents per share last year to 18 cents per share this year.

- **Record level of customer assets**

DAB bank now administers assets of €24.98 billion, 37.8% more than last year, for its 955,720 customers. This is the highest level of customer assets since DAB bank was founded in 1994.

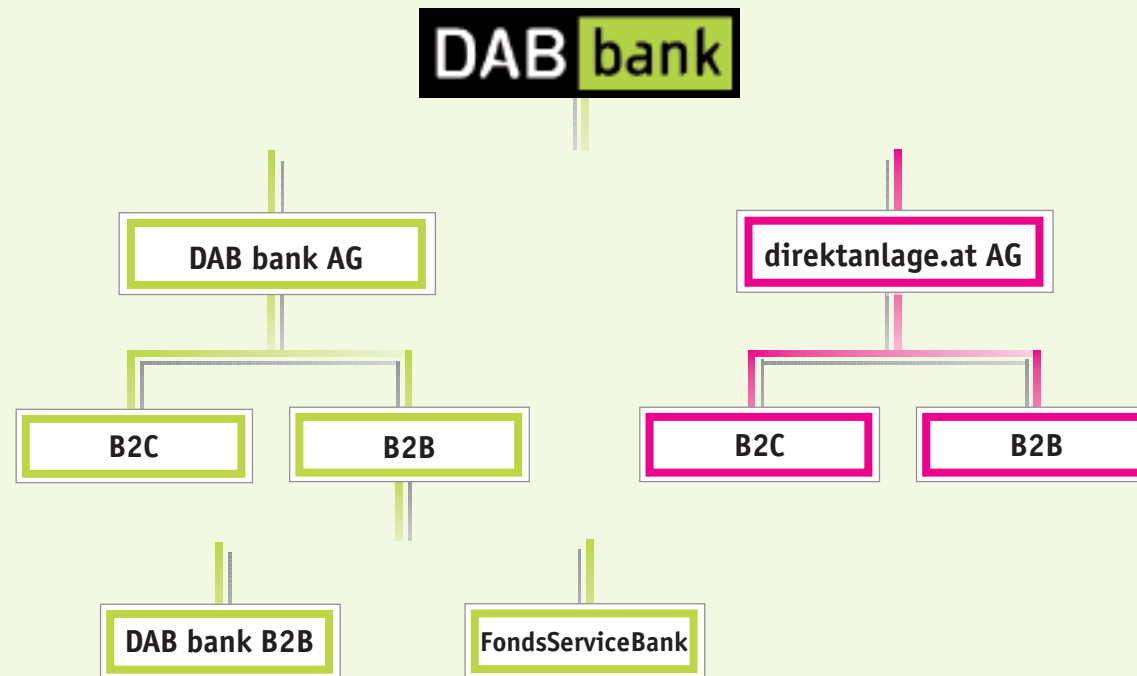
- **FondsServiceBank successfully integrated**

The integration of FSB FondsServiceBank GmbH was successfully completed in 2005. The migration of customer securities accounts to the technical platform of DAB bank will be effected in the first half of 2006.

- **direktanlage.at successful in Austria**

DAB bank's Austrian subsidiary substantially expanded its business with individual investors and business customers in 2005. With a market share of 70%, direkthanlage.at is the market leader in Austria.

Overview of DAB bank group



Key Figures of DAB bank Group (IFRS)

		2005*	2004	Changes in %	Page
Results					
Net commission income	k€	100,124	71,818	39.4	35, 62, 74
Net financial income	k€	30,941	33,617	-8.0	35, 62, 74, 75
Administrative expenses	k€	116,766	96,130	21.5	36, 62, 75
Result before taxes	k€	23,891	16,115	48.3	36, 62
Net profit/loss	k€	19,268	24,749	-22.1	36, 62
Cost-income ratio	in %	83.4	84.5	-1.3	37, 92
Return on equity before taxes	in %	14.4	10.8	33.3	-
Balance sheet					
Total assets	€ mn	2,510.5	2,168.5	15.8	38, 63
Shareholders' equity	€ mn	169.6	162.2	4.6	38, 63, 64
Capital ratio (German Banking Act)	in %	9.2	16.2	-43.2	38, 93
Share					
Earnings per share	€	0.26	0.33	-21.2	62, 77
Dividend per share	€	0.18	0.15	20.0	35, 77
End of year share price (Xetra)	€	6.80	5.50	23.6	13
Key operating figures					
Securities accounts	number	955,720	858,351	11.3	31
Volume of securities accounts and deposits	€ bn	24.98	18.13	37.8	33
Trades	number	9,494,762	7,610,737	24.8	32
Trades per securities account per year	number	10.47	9.13	14.7	32
Employees					
Employees (headcount)	number	675	639	5.6	39
Employees (full-time basis)	number	598	567	5.5	39

* The figures of FondsServiceBank were included for the first time on January 1, 2005. For reasons of comparability, the figures for the previous year relating to key operating figures and employees are pro forma figures including FondsServiceBank.

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■ Who we are

DAB bank is the No. 1 direct bank for securities-related services in Germany and Austria – for individual investors and business customers alike. Backed by an extensive range of innovative products and services, we offer the best solutions for every need, whether trading and investment, savings and retirement planning or lending and insurance. In cooperation with our partners, we are committed to providing the best solutions for every need.

■ What we want to achieve

We are well aware that our success depends on the satisfaction of our customers, the confidence of our shareholders, the professional expertise of our employees and partners and their commitment to providing the highest level of service. Our goal is to extend our market leadership position, generate profitable growth and enhance the value of DAB bank on a permanent basis.
Achieving profitable growth together.

■ How we achieve our goals

Satisfying the needs of our customers is our highest priority. Our independence and objectivity enable us to offer tailored solutions for every life phase of our customers, both online and through our local partners. We are completely focused on your success!

> Shareholder Information

- >> Letter to our shareholders 3
- >> Report of the Supervisory Board 6
- >> Corporate governance 10
- >> DAB bank share 12
- Financial calendar 15

> Company

- >> Company and Strategy 16
- >> Milestones 2005 20
- >> FondsServiceBank 22
- >> direktanlage.at 24

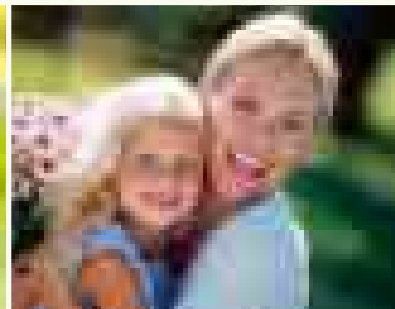
> Financial Review

- >> Economic report 26
- Market trends 26
- Business performances and key indicators 31
- Earnings performance 35
- Balance sheet 38
- Key regulatory ratios 38
- Our employees 39
- Important events after December 31, 2005 40
- Report on relations with affiliated companies 40
- >> Risk report 41
- >> Forecast report 58

> Financial Statements

- >> Results 62
- Consolidated income statement 62
- Consolidated balance sheet 63
- Consolidated statement of changes in equity 64
- Cash flow statement 65
- >> Notes 66
- Exempting consolidated financial statements acc. to IFRS 68
- Accounting and valuation methods 69
- Notes to the income statement 74
- Notes to the balance sheet 78
- Notes to the cash flow statement 89
- Segment reporting 90
- Other disclosures 93
- >> Auditors' report 101
- >> Summary of annual financial data 102
- >> Summary of quarterly financial data 103
- >> Glossary 104

Achieving profitable growth together





Jens Hagemann und Alexander von Uslar
Management Board of DAB bank

To our shareholders, customers, and business partners,

Let us begin, as we have in the past, by reminding you of the promise we made to you in last year's annual report: "Our goal for 2005 is to increase DAB bank's consolidated pretax profit by 30% over 2004, even if the market conditions remain as they are now. For the end of 2007, we are aiming for an ROE of 30% before taxes. And we will succeed in these goals by pairing cost discipline and economies of scale with business expansion." Last year's annual report was headed by the slogan: "Focus on your success!"

We also explained how we intended to achieve those goals, with a detailed description of our business strategy. As you will see in this year's annual report, we have kept these promises. And we firmly believe that we will achieve our return on equity target for 2007. Read on and judge the facts for yourselves.

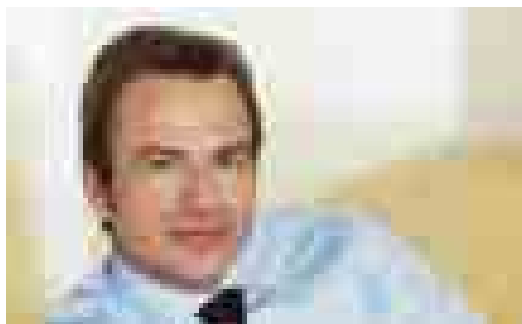
Impressive results for 2005

At €23.89 million, DAB bank's consolidated pretax profit for 2005 was 48.3% higher than the previous year's pretax profit. At December 31, 2005, DAB bank administered customer assets of €24.98 billion, 37.8% higher than the corresponding prior-year figure. Thus, we beat our target for this indicator, which was to increase substantially the volume of customer assets administered by the bank, from €18 billion to €21 billion.

How did we manage to achieve such impressive results? Simple: by continually extending and strengthening our market leadership position, in both segments of individual investors and business customers. Achieving profitable growth together!

Booming B2B business

To begin with, our business with asset managers continued to grow at an impressive rate in 2005, by virtue of organic growth alone. At year-end, DAB bank counted 921 financial intermediaries as its business partners, as



Jens Hagemann

compared to 819 at year-end 2004. The growth trend extended to customer trading activity as well, as the number of trades executed for account of business customers increased 28.7% over the prior-year level of 4,720,017 to reach a new record of 6,076,034. And the volume of assets administered for business customers grew 45.5% from €10.62 billion to €15.45 billion.

The acquisition of FSB FondsServiceBank GmbH was a major contributor to the bank's overall growth last year. Indeed, the acquisition represents a key element of our business strategy, which is geared to profitable growth (see pp. 17 ff.). In short, we achieved significant growth in our B2B business and substantially increased the proportion of our total income that does not fluctuate with stock market trends, from the originally promised 40% to now 57%.

We were also very successful in the B2C segment, reporting a net increase in securities account customers from 421,031 to 427,198. The number of trades executed for the individual investors accounts rose 18.3%, from 2,890,720 to 3,418,728. Furthermore, we upgraded our technical capabilities by implementing a new core banking system, which is among the best of its kind in the world and the first of its kind to be implemented in Germany. As a result, our customers now have the option of opening cash accounts with DAB bank, giving them free-of-charge, easy and convenient access to the more than 7,000 ATM machines of the CashGroup.

As you can see, DAB bank is highly successful in the two segments of individual investors and business customers. This was our plan, which we have successfully executed to date.

Top performer in Austria

Our Austrian subsidiary direktanlage.at was no less successful, increasing its share of the Austrian market to 70% and achieving significant gains in key operational indicators. For example, the volume of customer assets administered by direktanlage.at rose more than 50% to reach €1.75 billion, and the segment pretax profit tripled up to €5.14 million.

Outlook 2006: Good news for you

What does all this mean for you, the shareholders of DAB bank? Increasing the company's value benefits you directly. The Management Board and Supervisory Board will propose paying a dividend of 18 cents, equal to the entire unappropriated profit, determined in accordance with German Commercial Code rules, at the annual shareholders meeting on May 11, 2006. In the future, we intend to stick with the policy of paying a dividend equal to the full unappropriated profit.

As the biggest direct bank for securities-related services in Germany and Austria, we have big plans for 2006 as well. We are aiming to increase the consolidated pretax profit about 40% to €33 million and to expand the volume of customer assets in our accounts by €3 billion to €28 billion. We also intend, through targeted customer communication activities, to boost the number of trades per customer appreciably in 2006.

In addition, we intend to boost the profitability of DAB bank still further. The indicator we use for this purpose is the cost-income ratio, which is the ratio of administrative expenses to income. We are aiming to lower this ratio from the current level of 83.4% to 65% over the medium-term future, in steady increments of at least 5 percentage points per year. Thus, we plan to reduce this ratio to less than 80% by 2006.

Dear shareholders, customers and business partners: Our chances of delivering even better results in 2006 are excellent. Our corporate affiliation with the Europe-wide UniCredit Group will provide additional opportunities for profitable growth in the medium-term future. These are good reasons to stay with DAB bank, so that we can benefit from these opportunities together.

Your DAB bank Management Board

Jens Hagemann

Alexander von Uslar



Alexander von Uslar

Dear shareholder:

DAB bank has set itself the goal of profitable growth. The acquisition of FSB FondsServiceBank GmbH vaulted DAB bank AG to the status of market leader in the business of securities-related services for individual investors and business customers in Germany and Austria. The key challenges facing DAB bank in 2005 were to grow the company's business, successfully complete the integration of FondsServiceBank and implement the core banking system known as Flexcube. Special priority was given to increasing both the number of customers and the volume of customer assets held in the bank's accounts, while also expanding the scope of proactive sales activities.

The Supervisory Board of DAB bank AG carefully and continuously monitored the activities of the Management Board in 2005. To this end, the Management Board provided us with timely, in-depth information on a regular basis, both in the meetings of the Supervisory Board and through additional written and oral reports. We discussed at length the reports of the Management Board on the situation and outlook of the company and advised the Management Board on the future strategic development of the company in general, as well as specific issues of key importance. We were consulted at an early stage with regard to all key decisions.

Meetings and topics of discussion

In the five Supervisory Board meetings held in fiscal year 2005, the Management Board provided us with detailed information concerning the current situation and future development of the company, as well as the business policies, strategies and plans of the company and important developments. Between meetings, the Management Board provided us with information, both orally and in writing, concerning important events. In addition, the Management Board informed the Supervisory Board Chairwoman of significant developments and pending decisions on a regular, ongoing basis. Moreover, we deliberated and passed resolutions on those transactions and actions of the Management Board which require the approval of the Supervisory Board by virtue of statute and or the company's articles of incorporation or bylaws.



Johannes Maret
Member of the Supervisory Board



Andreas Wölfer
Vice-Chairman of the Supervisory Board



Dr. Eng. h. c. Volker Jung
Member of the Supervisory Board

The deliberations of the Supervisory Board in 2005 were devoted above all to the following key topics: the impact of current market developments on the company, the consequences of structural changes in the banking sector, specific steps to further develop the company's business portfolio, including in particular the integration of FSB FondsServiceBank GmbH, and corporate governance at DAB bank AG. Innovation and technology are the key parameters affecting the success of the company's business. An important step in this regard was the introduction of a new core banking system. The objectives of this project were to improve overall quality and service by modernizing the payment transfer processing system and to round out the product range of DAB bank by offering cash accounts and bank cards. The system conversion was completed in November 2005.

Corporate Governance and Declaration of Conformity

As in prior years, the Supervisory Board deliberated intensively on changes affecting the financial operating environment and legal framework of the company's business and the issue of corporate governance at DAB bank. From the beginning, DAB bank AG has complied with essentially all the recommendations of the Corporate Governance Code adopted in 2002. In December 2005, we approved the new joint Declaration of Conformity of the Supervisory Board and Management Board pursuant to Section 161 of the German Stock Corporations Act. Detailed information on this subject can be found in the section on Corporate Governance, starting on page 10.

Composition of the Supervisory Board and Management Board

There was a change in the composition of the Supervisory Board in 2005. Effective March 9, 2005, Dr. Stefan Jentzsch resigned as Chairman and member of the Supervisory Board. Until the annual shareholders meeting of May 13, 2005, the Supervisory Board consisted of five members and was chaired by the Vice Chairman Mr. Andreas Wölfer. At the annual shareholders meeting of May 13, 2005, Ms. Christine Licci was elected to the Supervisory Board and assumed the position of Chairwoman.



Gunter Ernst
Member of the Supervisory Board



Nikolaus Barthold
Member of the Supervisory Board

Effective March 9, 2006, Ms. Christine Licci has resigned her office as member of the Supervisory Board and as its Chairwoman. In the Supervisory Board meeting of March 13, 2006, Mr. Wölfer was elected as chairperson of the Supervisory Board. There were no staff changes on the Management Board.

Audit of the annual financial statements

The annual financial statements and financial review of DAB bank AG, as well as the consolidated financial statements and consolidated financial review for fiscal year 2005, including the accounting records in both cases, were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft and provided with unqualified audit opinions in both cases. In fulfillment of its audit duties pursuant to Section 317 (4) of the German Commercial Code, the auditor also inspected the monitoring systems implemented by the company for the early detection of risks. The auditor affirmed that the company's monitoring systems are capable of fulfilling their intended function and that the financial review reports of both the parent company and the group present an accurate picture of the risks of the company's future development.

The Vice Chairman of the Supervisory Board took part in the final meeting of the Management Board with the auditors of the annual financial statements. The financial statements and audit report mentioned above were provided to the Supervisory Board in a timely manner. At the Supervisory Board meeting of March 13, 2006, the chief auditor reported on the results of the audit and answered the questions of the Supervisory Board members. The Supervisory Board approved the annual financial statements and financial review reports of the parent company DAB bank AG and the group and concurred with the findings of the audit. Based on the final results of our own review, we had no objections to raise. The Supervisory Board approved the financial statements prepared by the Management Board, which were thereby officially adopted.

We concur with the proposal of the Management Board to distribute a dividend of 18 cents, equal to the unappropriated net profit for the year.

Final declaration and audit of relevant affiliated companies

In accordance with Section 312 of the German Stock Corporations Act, the Management Board prepared a report on the relations with affiliated companies in fiscal year 2005. In this report, the Management Board affirms that DAB bank AG received fair and adequate compensation for each and every transaction, according to the circumstances known to it at the times of such transactions. No other steps within the meaning of Section 312 of the German Stock Corporations Act were taken or omitted.

The auditors issued the following unqualified opinion on the results of their audit of the Dependency Report: “Based on the results of our audit, performed in accordance with our professional duties and our professional judgment, we certify that

1. the factual information contained in the report is correct,
2. the consideration provided by the company in respect of the transactions listed in the report was not inappropriately high.”

The Supervisory Board also reviewed the Dependency Report of the Management Board and concurs with the results of the aforementioned audit. Based on the final results of the review conducted by the Supervisory Board, we had no objections to raise with respect to the final declaration of the Management Board contained in the Dependency Report.

The Supervisory Board wishes to thank the Management Board and all employees for their tremendous dedication and good work. We are convinced that DAB bank AG is correctly positioned in the market and can look forward to a highly successful year in 2006 as the market leader for securities-related services for individual investors and business customers in Germany and Austria.

Munich, March 13, 2006



Andreas Wölfer

>> Corporate governance

- Corporate Governance as an integral part of the company
- Continuous dialogue between Management Board and Supervisory Board
- Renewal of Declaration of Conformity

Since its founding, DAB bank AG has actively and fully adhered to the principles of sound corporate governance. The Management Board and Supervisory Board consider corporate governance, understood to mean responsible management and supervision of the company, to be an integral part of their work. To this end, they engage in a continuous dialogue that goes beyond the requirements of law. Further information on this subject can be found in the report of the Supervisory Board contained in the annual report.

The Management Board and Supervisory Board regularly discuss the changes made to the German Corporate Governance Code and evaluate the extent to which adjustments need to be made as a result of these changes.

Corporate Governance Code

The German Corporate Governance Code, which took effect in 2002, has raised public awareness of corporate governance issues and placed greater emphasis on the principal laws and regulations governing the management and oversight of publicly traded German companies.

The German Corporate Governance Code, which incorporates national and internationally recognized standards of good and responsible corporate governance, has made the German system more transparent and easier to understand.

In accordance with the provisions of the Corporate Governance Code, DAB bank AG has renewed its Declaration of Conformity of December 16, 2004 as follows:

Declaration of Conformity

Declaration of Conformity with the German Corporate Governance Code for 2005 pursuant to Section 161 of the German Stock Corporations Act:

The Management Board and Supervisory Board of DAB bank AG hereby declare that the recommendations of the Government Commission for the German Corporate Governance Code, in the version of June 2, 2005 (hereinafter the "CGC"), published by the Federal Ministry of Justice in the official announcements section of the electronic Federal Gazette, were followed in fiscal year 2005, and will be followed in the future, with the following exceptions:

- No deductible for D&O insurance (3.8 CGC):
Section 3.8 of the Corporate Governance Code recommends that any D&O insurance taken out by the company for its Management Board and Supervisory Board should include an appropriate deductible. The Management Board and Supervisory Board are of the opinion that all the company's directors and officers are bound by duty to act in a responsible manner and therefore a deductible is not called for.
- No Management Board spokesman (4.2 CGC):
In this respect, the practice of DAB bank AG is in strict accordance with the collegiality principle set forth in the German Stock Corporations Act.
- No age limit for Supervisory Board members (5.4.1 CGC):
The average age of the six members of the Supervisory Board is 52 years. Therefore, we see no need to establish an age limit for members of the Supervisory Board. We value highly the in-depth professional expertise and profound life experience of the older members of the Supervisory Board of DAB bank AG.
- No Audit Committee (5.3.2 CGC):
For reasons of efficiency and the relatively small size of the company, the function of the Audit Committee is performed by the Executive Committee of the Supervisory Board of DAB bank AG.

>> **DAB bank share**

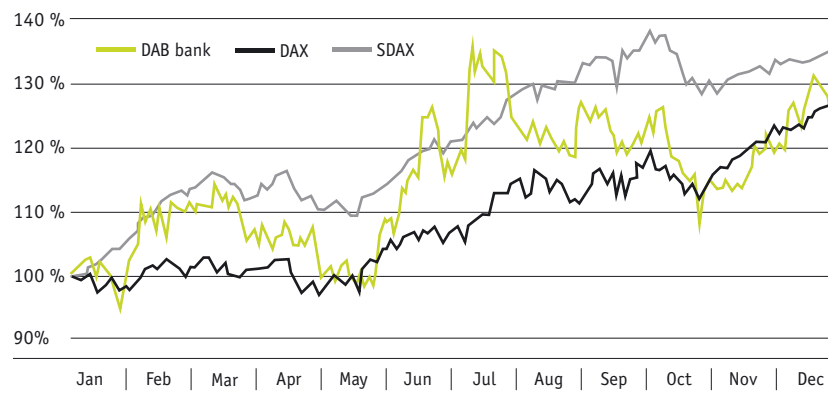
- Share price up 23.6%
- Full distribution raises dividend to 18 cents
- Open, regular communication with all stakeholders

Stock market environment

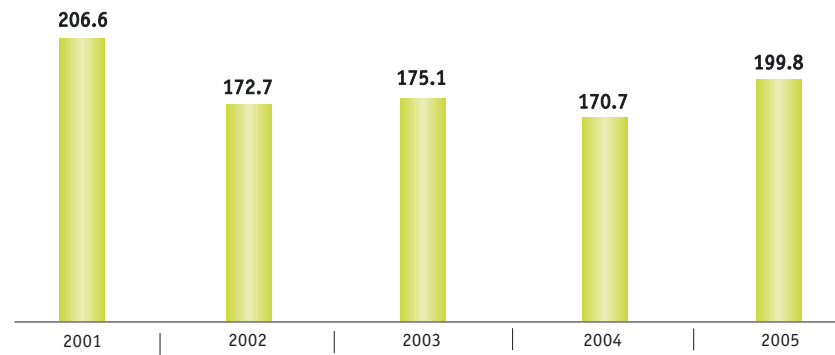
The leading German stock market indexes also performed very well in 2005, posting appreciable gains over 2004. To the delight of individual and institutional investors alike, the DAX experienced strong growth in 2005, crossing the psychologically important threshold of 5000 points on September 9 for the first time ever. The DAX closed the year at 5,408.26 points, for a gain of 27.1%. Once again, the MDAX 2005 also outdid its prior-year performance, gaining 35.2% for the year. The SDAX, which contains the DAB bank share, closed the year at 4,248.90 points, for a gain of 36.0%.

The DAB bank share too performed very well, posting a 23.6% gain over the course of 2005. Over the last three years, the share has grown 189.4% in value, outperforming the SDAX, which gained only 14.8% over the same period. The long-awaited stock market recovery, which failed to materialize in 2004, finally came about in 2005. This recovery was especially apparent in the second half of the year. The volume of orders placed by institutional and individual investors, domestic and foreign, was significantly higher than in earlier years. The volume of shares traded on all the German stock exchanges in 2005 amounted to €3.80 billion, up 16.2% from the previous year. Starting in June of last year, the monthly number of trades executed on the German exchanges rose considerably, reaching 18.3 million in September, the highest level of the year. For the full year, the number of trades executed on the German stock exchanges was 199.8 million, 17.0% higher than in 2004.

Chart indexes, comparison of DAB, DAX, SDAX in 2005



Number of trades executed on all German stock exchanges 2001 - 2005 (in mn)



Source: Deutsche Börse

Performance of the DAB bank share

The DAB bank share performed very well in 2005, rising 23.6% in value over the previous year. The share began the year on January 3 with a Xetra opening price of €5.50. Three weeks later, on January 21, it reached its low for the year of €5.19. But in the months that followed, the DAB bank share realized its upside potential, hitting its high for the year of €7.48 on July 11. The share price experienced a mild correction in the autumn months, before rising steadily again in the final quarter to close the year at €6.80 on December 30.

Thus, the successful business performance and steady, profitable growth of DAB bank were recognized and rewarded by institutional and individual investors alike. Their heightened interest was also reflected in the volume of shares traded: On average, 89,324 DAB bank shares traded hands every day in 2005 (2004: 76,230) and the average daily value of these trades amounted to €569,956 (2004: €483,896).

DAB bank share price in €



Shareholders of DAB bank will benefit from the higher proposed dividend payment for fiscal year 2005. At the annual shareholders meeting to be held on May 11, 2006, the Management Board and Supervisory Board will propose a full distribution of the company's unappropriated net profit, determined in accordance with German Commercial Code rules, which will raise the dividend from 15 cents to 18 cents.

Key figures on the DAB bank share

Opening price, Xetra (01/02/2004)	5.50 €
Highest price, Xetra (03/09/2004)	7.48 €
Lowest price, Xetra (08/20/2004)	5.19 €
Closing price, Xetra (12/30/2004)	6.80 €
Market capitalization (12/30/2004)	511.3 mn €
Earnings per share	0.26 €
Dividend	0.18 €
WKN	507230
SICOVAM	22040
Reuters Code	DRNG
Bloomberg Ticker	DRN GR
ISIN Code	DE0005072300
Shares outstanding	75,187,007
Stock exchange segments	SDAX, Frankfurt; Nouveau Marché, Paris
Stock exchanges	Xetra, Frankfurt, Munich, Stuttgart, Berlin, Duesseldorf, Hamburg, Hanover, Bremen, Paris
Designated Sponsor	Lang & Schwarz Wertpapierhandel AG

Financial communications

The strategy of DAB bank is geared to profitable growth and permanent enhancement of the company's value. To this end, we actively seek an open and regular dialogue with our shareholders, investors and other interested parties. These investor relations activities of DAB bank led to a heightened level of interest in our stock last year.

To communicate the company's operating results for fiscal year 2004, we held a press conference and a stock analysts' conference in Frankfurt on March 9, 2005. We also held telephone conferences in April, July and October to discuss the operating results of each fiscal quarter with shareholders, journalists and stock analysts. Beyond that, we held numerous meetings with our target groups throughout the year to keep them informed of the strategy and business performance of DAB bank.

The shareholders of DAB bank were informed about their company's successful performance in fiscal year 2004 and about the future goals and strategies of their company at the annual shareholders meeting of May 13, 2005. As in prior years, the annual shareholders meeting was held in Munich. At this meeting, our shareholders approved the proposal of the Management Board and Supervisory Board to pay a dividend, the first in the history of DAB bank, in the amount of 15 cents per share, equal to the entire unappropriated net profit for 2004.

In addition, we held numerous one-on-one meetings with institutional investors throughout the year. Furthermore, we presented the business strategy, performance and goals of DAB bank to investors at six road shows in Frankfurt, Munich, Zurich, Paris, Edinburgh and London. We also presented DAB bank at five conferences in Germany and abroad: the Mid & Small Cap Conference of West LB in London, the German Midcap Financial Conference of Sal Oppenheim in London, the German Corporate Conference of Deutsche Bank in Frankfurt, the German Investment Conference of HypoVereinsbank in Munich and the German Equity Capital Forum of the German Stock Exchange in Frankfurt.

DAB bank AG was rated by eleven stock analysts in 2005. This fact is indicative of the generally high level of interest that capital market participants are showing in the DAB bank share.

Our stakeholders can find the latest information about DAB bank, its business performance and the company stock in the Investor Relations section of the company's website at www.aktie.dab-bank.de. Our annual and quarterly reports are available for download in German, English and French. In addition, the printed versions of these reports can be ordered free of charge from our website.

Our website also contains corporate news, ad hoc announcements and press releases. Older documents can be retrieved from the online archive at any time. Moreover, the presentations produced for the purpose of presenting of the company's operating results to shareholders at the annual meeting can also be downloaded.

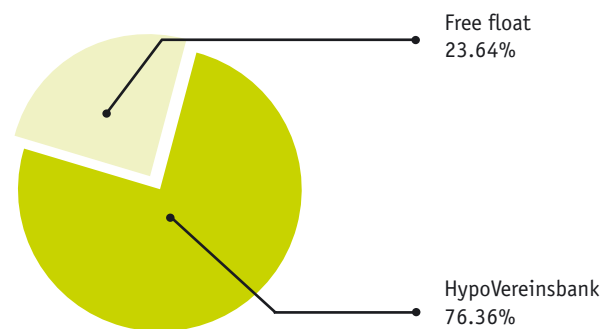
We intend to intensify our financial communications still further in 2006. For example, we will participate in the Deutsche Bank German Corporate Conference in May/June, the German Investment Conference of HypoVereinsbank in September and the Eigenkapitalforum by Deutsche Börse in November, where we will be glad to answer any questions about our bank. In addition, we will be holding road shows in Germany and abroad. Beyond that, we are always available for individual meetings.

Financial Calendar

	provisional date
1st quarter report 2006	04/25/2006
Annual general meeting	05/11/2006
2nd quarter report 2006	07/25/2006
3rd quarter report 2006	10/24/2006

At present, 23.64% of DAB bank's shares are widely held, unchanged from last year. HypoVereinsbank AG holds 76.36% of the bank's equity. The acquisition of HypoVereinsbank AG by UniCredito Italiano S.p.A. was announced in the summer of 2005 and completed in November 2005. Thus, the majority holding formerly held by HypoVereinsbank AG is now attributed to the corporate group of UniCredito Italiano S.p.A..

Shareholder structure at 12/31/2005



>> Strategy

DAB bank AG – Achieving profitable growth together

The business strategy of DAB bank AG is geared to profitable growth. In implementing this strategy, we pay close attention to the interests of all our stakeholders – shareholders, customers, business partners and employees.

Strategically well positioned

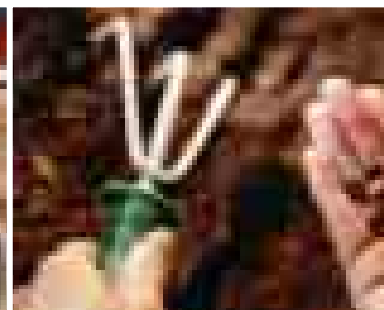
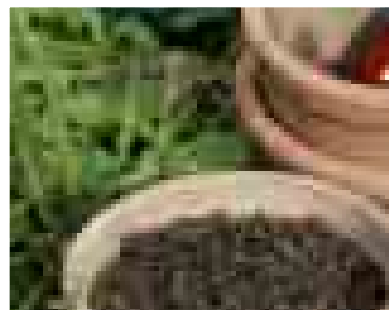
We establish concrete operating goals on the basis of our business strategy. In last year's annual report, for example, we promised to increase the consolidated pretax profit 30% to €21 million. And we kept this promise, generating a consolidated pretax profit of €23.89 million. Furthermore, we over-shot our goal of increasing customer assets from €18 billion to €21 billion: At December 31, 2005, we were proud to report customer assets of €24.98 billion, indicative of a 38% increase over the previous year.

In view of these impressive results for last year, we are confident of achieving our goal of generating a 30% return on equity before taxes by the end of 2007.

Increasing company value

This year as well, we invite you to measure our performance with reference to our stated goals. We aim to increase the company's consolidated pretax profit by about 40%, to €33 million, and to increase customer assets by €3 billion to €28 billion. We also intend to achieve a significant increase in the number of trades per customer by means of targeted customer communication activities.

It is our practice not to focus exclusively on short-term successes. Instead, we strive for calculable continuity. For this reason, we made the following promise already at the 2004 shareholders meeting: "We want to increase the percentage of our income that does not depend on stock market trends to 40%." This is how we intend to achieve our goal of insulating the bank's performance from the effects of future stock market trends to the greatest extent possible, so as to protect the profitability of our bank in the future. And in fact, we have increased the percentage of income that does not depend on stock market trends to an impressive 57%. We accomplished this feat in large part by stepping up our proactive sales activities, conducting 50 product campaigns, which had the effect of raising the bank's commission income by 70% from €98,2 million to €156,7 million. We interpret these accomplishments as a clear sign that we are pursuing the right strategy for lasting business success.



What effect will these considerations have on the future success of our bank? Over the medium-term future, we want to narrow the cost-income ratio, or the ratio of administrative expenses to income, from the current level of 83.4% to 65%, in steady increments of at least 5% per year. For 2006, that means a reduction to less than 80%.

The steady enhancement of the company's value and profitability directly benefits you, the shareholders of DAB bank. At the annual shareholders meeting to be held on May 11, 2006, we will propose paying a dividend of 18 Cents per share, equal to a full distribution of the unappropriated net profit for the year, determined in accordance with German Commercial Code rules. In the coming years, we intend to stick with the policy of fully distributing the unappropriated net profit.

We set standards

As the biggest direct bank for securities-related services in Germany and Austria, we offer a wide range of innovative products and services to our customers. Because we are not affiliated with the issuers of the products we offer, our advice is objective and tailored to the needs of individual customers. Focusing on asset accumulation and asset management, we advise our customers in all life phases. In this respect, we are equally helpful to professional investors and inexperienced investors. Both groups of customers benefit from the fact that DAB bank is the biggest independent distributor of investment funds in Germany.

Today, DAB bank is the primary brokerage services bank for about three-quarters of our individual customers. DAB bank places great importance on taking good care of its customers. For that reason, we have taken steps to expand our service offering, without losing focus on the business of securities-related services. To this end, we have upgraded the bank's technical capabilities by implementing a new basic banking system, the best of its kind in the world and the first of its kind in Germany. Our customers now have the option of opening cash accounts with DAB bank, giving them free-of-charge, easy and convenient access to the more than 7,000 cash dispensing machines of the CashGroup.



And so we continue to make progress in all areas. We have achieved remarkable successes in Austria as well. Our subsidiary direktanlage.at, which enjoys a market share of 70%, posted significant gains in its operational performance indicators last year, increasing the volume of customer assets by 53.5% to €1.75 billion and tripling the segment pretax profit to €5.14 million compared to 2004. And it continues to grow its business, particularly in the B2B segment. Today, direktanlage.at cooperates with 112 asset managers and administers customer assets of €330 million in this segment alone.

DAB bank has taken important steps to build up its B2B business in Germany as well. The acquisition of FSB FondsServiceBank GmbH, for example, significantly broadened our offering of products and services. For their part, the customers of FondsServiceBank stand to benefit from the fact that they can now hold other types of securities, besides investment funds, in their custody accounts. They can even open a cash account, as we mentioned above.

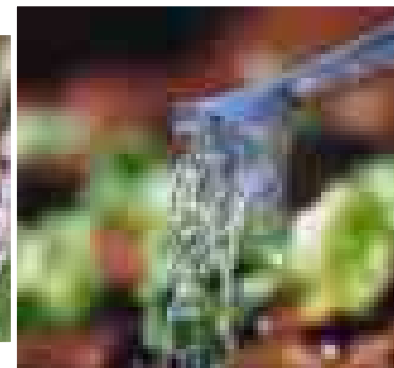
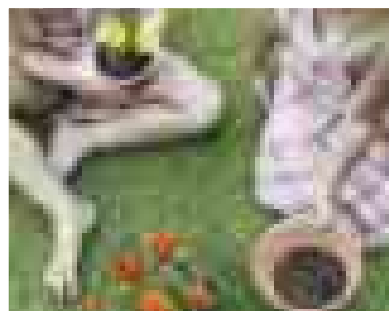
This acquisition is of crucial strategic importance for DAB bank. It enables us to fulfill the promise, derived from our business strategy, of increasing the structural percentage of income that does not depend on stock market trends, because the income generated by FondsServiceBank consists mainly of custody account maintenance fees, which are independent of stock market trades.

The merger of FondsServiceBank into DAB bank was recorded in the Commercial Register on September 29, 2005. With this step, the legal merger was completed with retroactive effect to January 1, 2005. The FondsServiceBank brand is being continued as a service of DAB bank.

The developments of the past months have impressively confirmed our belief that FondsServiceBank makes an excellent strategic fit with DAB bank. The joint sales organization could hardly be stronger. Together with FondsServiceBank, we are ideally positioned for standardized B2B business and in the business with investment fund brokers.

DAB bank is also very well positioned for cooperation with asset managers. We have been active in this segment ever since the bank was founded in 1994. After making new gains in 2005, we have today achieved a market penetration rate of 60%.

In the DAB bank B2B segment, DAB bank has increased the number of financial intermediaries it cooperates with from 736 to 789. Furthermore, this segment increased the number of trades executed by 48.3% from 312,279 to 463,239; the volume of customer assets grew by 43.8% from €6.26 million to €9.00 million.



Thus, DAB bank is firmly established in both the B2C business and the B2B business. The leading-edge IT platform, which we implemented in record time, is an important factor contributing to our success in both these segments.

With the new IT platform, we are optimally prepared for the coming five-to-ten year cycle. The platform provides a strong basis for growth because we can offer it to others as a service: Other banks and investment companies can migrate to this platform. For example, the investment company Nordinvest migrated to our platform in the first quarter of 2005. And the customer securities accounts of FondsServiceBank will be migrated to the IT platform of DAB bank in the first half of 2006.

We create a quality advantage for our customers

DAB bank received numerous awards in 2005, attesting to the fact that investors are highly appreciative of our products and services. DAB bank took second place in the broker survey conducted by Börse-Online, only 0.07 points removed from the first-place winner. In addition, we received the top ranking, with the best score of 1.37, in the categories of "Best Order Execution" and "Best Product Offering." In the area of investment funds, our status as the biggest investment fund broker in Germany was confirmed when we were elected "Fund Broker of the Year 2005" by brokerwahl.de.

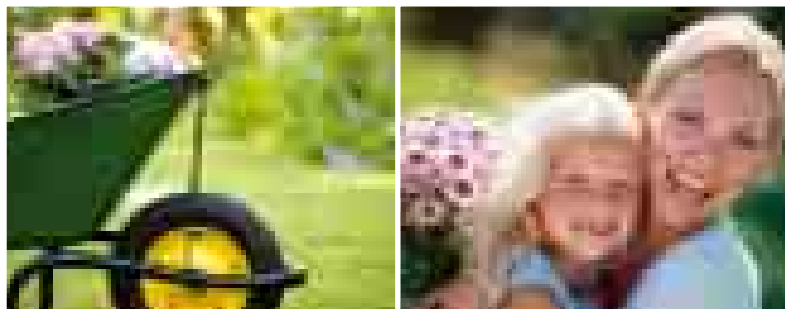
Still in the passing lane

As you can see, your DAB bank is well on the way to lasting success. The policy of profitable growth is based on the following key strategic goals:

- We will continue to focus on Germany and Austria
- We will strengthen our B2B business
- We will make good use of our leading-edge IT platform
- We will benefit from positive stock market trends while insulating our business even more from negative stock market trends.

These statements represent a challenge and an obligation for us. They describe the path that DAB bank has taken. The transformation of our core business model from a reactive executor of stock market trades to a proactive, sales-driven bank with an outstanding IT platform was completed in 2005. The "new" DAB bank is positioned better than any other bank to take advantage of emerging opportunities. Our affiliation with the Europewide UniCredit Group will create additional opportunities for us in the medium-term future. This affiliation further underscores the unique positioning of DAB bank in a market that holds tremendous future promise.

Together, we can take advantage of these opportunities!



>> Milestones of 2005

January

DAB bank **acquires FSB FondsServiceBank GmbH**, effective January 1. The acquisition enables DAB bank to achieve two core aspects of its business strategy: to expand its B2B business and to insulate the bank's performance from negative stock market trends. Groupwide, DAB bank administers more than 858,351 securities accounts, containing customer assets of €18.13 billion. Thus, DAB bank is the No. 1 direct bank for securities-related services.

Order and Save: Effective January 1, DAB bank introduces **a rebate for high-volume traders**, enabling customers to save up to 30% on their order fees.

February

Readers of the magazine *Börse Online* award DAB bank the **top ranking in two categories, "Best Order Execution" and "Best Product Offering"**. In the overall evaluation, DAB bank takes second place in the category of "Germany's Best Discount Broker."

Broadened product offering: DAB bank broadens its offering of **fund-based savings plans**, raising the total number of such plans from 56 to 157 and lowering the minimum investment amount to €50.

The DAB bank call center is honored with **the 2005 Cat Award**. In the justification of its decision, the jury stated that the successful transformation of DAB bank in the direction of a sales-driven bank is reflected in the work of its call center, where proactive customer communication and cross-selling are practiced.

March

DAB bank is selected as **"Fund Broker of the Year"** for 2005 by investors participating in a survey conducted by the portal *brokerwahl.de*.

On March 9, DAB bank announces the **best annual results of its history**, with a **pretax profit of €16.12 million** for 2005.

April

DAB bank doubles its offering of **savings plan certificates** to 60 and lowers the minimum investment amount to €50.

DAB bank hosts an **Investment Congress** in Munich for its B2B customers, the eighth time it has sponsored this event. The more than 600 asset managers and fund brokers attending this conference received extensive information on the latest developments in the financial sector and the stock markets.

The operating results for the first quarter of 2005, including FSB FondsServiceBank GmbH for the first time, are published on April 26. Groupwide, DAB bank has 913,308 securities accounts, customer assets of **€19.41 billion** and a pretax profit of **€9.59 million**.

May

The shareholders have reason to celebrate, as the Management Board proposal to distribute the entire unappropriated net profit, determined according to German Commercial Code rules, is approved by the annual shareholders meeting. Thus, shareholders receive a dividend for the first time in the history of DAB bank. **The dividend is 15 cents per share.**

June

DAB bank's Internet analysis tools provide extensive information on the performance of stocks, investment funds, bonds and certificates. A virtual **Internet tour** hosted by German celebrity Til Schweiger shows users exactly how they can benefit from these online tools.

July

DAB bank continues to generate profitable growth in the second quarter, reporting a **pretax profit of €12.04 million** for the **first six months** of the year. DAB bank also reports **925,017 customers** and **€21.14 billion of customer assets**.

Account maintenance is made even easier for customers who have more than one securities account with DAB bank: From now on, they only need to enter **one set of data** to access all their securities accounts at the same time.

DAB bank makes it easier to conduct online securities trading: The **Easy Trader** tool guides beginners through four easy steps to complete their trading order. Professional investors can use the **Power Trader** tool to access additional services, including the option to display more than one trade window at the same time.

August

“Invest in Germany and double your profit!” This is the slogan of the **product campaign** that DAB bank launches right in time for the coming **federal parliamentary elections**. Investors can choose between two certificates and receive a gift. Customer or non-customer – everyone who invests in one of two election certificates receives a refund of the sales charge from DAB bank.

September

The **merger of FSB FondsServiceBank GmbH** into DAB bank AG is recorded in the Commercial Register on September 29. Thus, the legal merger, which takes effect retroactively to January 1, is completed ahead of schedule.

October

DAB bank reports the **best 9-month results** of its history, with a pretax profit of **€15.83 million**, right on track for its goal of closing the year with a pretax profit of €21 million. Customer assets reach a new record level of €23.14 billion.

Limit orders can now be executed in real time, with the **Sekunden-Handel** function. This function, which is very popular with DAB bank's customers, can now also be used for OTC trades as well.

DAB's call center wins yet another prestigious award: **first prize for call center services** on the international level. Special emphasis is given to the success of the call center's proactive sales activities and the competent responses provided to customer inquiries.

November

DAB bank implements a **new basic banking system**, achieving the final milestone of its IT campaign. The new system makes it possible to offer cash accounts and bank cards, considerably broadening the bank's offering of products and services.

December

The employees of FondsServiceBank move quarters from Unterhaching to DAB bank in Munich. The **move** is another important step in the **integration of FSB**.

True to its concept of a sales-driven bank, DAB bank continues to engage in proactive sales activities in 2005. Since January, DAB bank has **conducted 50 sales campaigns**. More than twenty percent of the bank's employees are now engaged in proactive sales activities.

>> FondsServiceBank – a service of DAB bank

Milestones of the integration process

November 2004	On November 18, 2004, DAB bank announces the acquisition of FSB FondsServiceBank GmbH, effective January 1, 2005.
January 2005	DAB bank acquires FSB FondsServiceBank GmbH.
March 2005	Structure of the future joint organization is adopted.
April 2005	The operating results for the first quarter, including the first-time consolidation of FondsServiceBank, are published on April 26.
September 2005	The legal merger of FSB FondsServiceBank GmbH into DAB bank, with retroactive effect to January 1, 2005, is recorded in the Commercial Register on September 29.
December 2005	FondsServiceBank employees move to new quarters in Munich and all departments are physically consolidated under one roof at DAB bank headquarters.
First half 2006	The technical migration of the securities accounts of FondsServiceBank to the DAB bank platform is completed.

“The acquisition of FSB FondsServiceBank GmbH is a big leap for us.” These are the words that we used to highlight the strategic importance of FondsServiceBank as a part of DAB bank.

The acquisition of FondsServiceBank has enabled us to implement two key elements of our business strategy. First, the acquisition helps to increase the percentage of income that does not depend on the level of activity in the stock market, insulating DAB bank from negative stock market trends. This is because the income generated by FondsServiceBank consists mainly of custody account fees, which are independent of the customers’ trading activity. Second, the acquisition enables us to extend our market leadership position in the B2B segment.

DAB bank has actively cooperated with asset managers, fund brokers and institutional investors since 1994. Today, 60% of all asset managers in Germany are business partners of DAB bank. We provide them with tailored product solutions and services.

To supplement the customized solutions we have always offered to our B2B customers, we have added the standardized services of an investment fund platform. We now offer a full range of services related to investment funds and custody accounts to fund brokers and sales pools, on the one hand, and mandate clients, on the other hand. As a service provider, we now have the ability to bring B2B customers onto our platform, thereby generating economies of scale. In the first quarter of 2005, for instance, the investment fund accounts of the investment company Nordinvest were migrated to our platform.

Now that it has been completely integrated with DAB bank, FondsServiceBank will be contributing a pretax profit of €2 million per year, starting in 2006. This amount can be expected to rise steadily in the following years, making a strong, lasting contribution to the profitable growth of DAB bank.

Let us now take a closer look at the specific steps that have been taken to integrate FondsServiceBank into DAB bank, reinforcing our position as the No. 1 direct bank for securities-related services in Germany.

During the entire integration phase, top priority was given to ensuring the satisfaction of our customers and employees. Thus, it was very important to make sure that the ongoing business activities of DAB bank and FondsServiceBank were conducted with the accustomed level of quality, with as little stress as possible on our customers and employees. Thus, we considered it imperative to provide clear information to our employees at an early stage, so that they would understand the structural changes in their working environment. After all, the work of integrating FondsServiceBank into DAB bank was to be performed by our employees, a little bit every day, on the strength of their dedication and cooperation with our partners and customers.

In the past months, we prepared the IT migration of FondsServicebank to the platform of DAB bank, completed the legal merger and consolidated all our employees at one location. In a final step, to be performed in the first half of 2006, the IT system of FondsServicebank will be completely migrated to the platform of DAB bank and all customer securities accounts will be transferred to the DAB bank system.

Thanks to the integration of FondsServiceBank, DAB bank is ideally prepared to meet the challenges of the future. As a service of DAB bank, FondsServiceBank will offer a broader range of services than before, far broader, in fact, than conventional fund platforms traditionally provide. In the future, customers of FondsServiceBank will have a securities account for individual securities, as well as a link to our cash account system, which they can use for active liquidity management. The integration of FondsServiceBank in 2005 helped us achieve the key goal of generating profitable growth.

FondsServiceBank
Ein Service der DAB bank AG

>> direktanlage.at – a subsidiary of DAB bank

Milestones:

March 2005	direktanlage.at presents the best results of its history, a segment pretax profit of €1.74 million for 2004.
June 2005	direktanlage.at offers its customers the additional service of asset management.
July 2005	<p>direktanlage.at announces the best half-year results of its history, a segment pretax profit of €2.29 million.</p> <p>The order fee for OTC purchases of Star Partner products is reduced to €6.95. Elimination of fees for trades that are not executed or are deleted.</p>
October 2005	Trading windows are expanded and stop-limit orders are introduced.

“Focus on the core markets of Germany and Austria” sums up the strategy regarding the regional orientation of the DAB bank Group.

The subsidiary direktanlage.at, which has been a member of the DAB bank Group since 2002, has been useful for expanding DAB’s market position beyond the borders of Germany. Like DAB bank, direktanlage.at is a pioneer in the business of securities-related services in its home country. Founded in March 1995, it was direktanlage.at that introduced discount brokerage to Austria, under the slogan “Innovation instead of fees.” Since this time, direktanlage.at has pursued a course of steady, profitable growth. With a market share of 70%, it is the bank for securities investors in Austria.

In 2005, its tenth year of being in business, direktanlage.at expanded its market share and effectively continued the upward trend in all areas.

direktanlage.at operates in both the B2C and the B2B segments. The strong influx of new customers attests to the fact that both these customer groups regard the bank as an experienced and competent partner. direktanlage.at added a total of 6,049 new securities accounts in 2005, the highest increase in years, bringing the total number to 36,072.



Ernst Huber
Chairman of Management Board of direktanlage.at

Also in 2005, the volume of customer assets rose 53.5% to reach a new record level of €1.75 billion. In this regard, direktanlage.at clearly surpassed the previous year's substantial increase, which was 35% in 2004. As for the number of trades executed, direktanlage.at crossed the half-million mark for the first time, reaching 540,056 at the end of 2005. With 16.34 trades per securities account, direktanlage.at leads the field of comparable European banks.

A look back at the successes achieved in 2005 makes it clear that direktanlage.at has continued to come out with innovations. An important achievement in this regard was the substantial increase in the volume of B2B business conducted. direktanlage.at has set itself the goal of being the leading bank in Austria for the asset management needs of individual investors. In cooperation with Dr. Jens Ehrhardt Kapital AG, it now actively markets asset management services. This strategic milestone boosted the company's market leadership position. Looking at the B2B business, direktanlage.at now has 6,769 customers with more than €330 million of customer assets in securities accounts.

The Austrian subsidiary's individual investors had other reasons to celebrate in 2005. For example, OTC orders for Star Partner products cost only €6.95 since July of last year, and no fees are charged for trade orders that are not executed or are deleted. Furthermore, direktanlage.at also made it easier to place various kinds of limit orders and expanded the functionality of its trading screens.

Thus, DAB bank is ideally positioned in the Austrian market with direktanlage.at. And the subsidiary fully expects to continue on a path of profitable growth in the future as well. In this regard, direktanlage.at stands to benefit from the continuation of a trend that it has already exploited to its advantage in the past: That is, Internet banking is becoming increasingly popular in Austria. One fifth of Austrians conducted their banking business online in 2005 and this percentage continues to rise.


direktanlage.at
 Die Bank für Wertpapieranleger



Bernhard Lackner
 Member of Management Board of direktanlage.at

>> **Economic report****2005: Profit targets exceeded by wide margin, excellent basis for continued profitable growth**

In fiscal year 2005, we at DAB bank focused on two key goals, as a means of continually creating added value for our shareholders:

1. To increase the pretax profit by approximately 30% over the corresponding prior-year figure, to approximately €21 million for the Group as a whole
2. To add 142,000 net new securities account customers, 27,000 at DAB bank, 113,000 at FondsServiceBank and 2,000 at direktanlage.at

DAB bank generated a pretax profit of €23,891 thousand in 2005 (2004: €16,115 thousand), 48.25% higher than the prior-year figure and significantly in excess of our own profit goal of €21 million. Consequently, the Group's return on equity rose to 14.4% (2004: 10.8%).

DAB bank added 97,369 net new securities account customers in 2005, including 91,320 in Germany (thereof 78,166 FondsServiceBank) and 6,049 in Austria.

The goal that was set for FondsServiceBank was based on the assumption that the successful migration of Nordinvest customers in the second half of 2005 would be followed by additional customer migrations. The migration of FondsServiceBank to the DAB bank AG platform will be completed in the first half of 2006, and therefore we plan, for reasons of efficiency, to conduct additional customer migrations only after this time.

With regard to securities account customers, the goal that was originally set for DAB bank AG exclusive of FondsServiceBank, to add 27,000 net new securities account customers proved during the year to be overly ambitious. Instead, DAB bank AG added 13,154 net new securities account customers (2004: 8.920), indicative of a 47.5% increase over the previous year. More-

over, we consciously opted not to engage in unprofitable promotional offers, as our competitors have done.

In Austria, our subsidiary direktanlage.at added 6,049 net new securities account customers, exceeding by 202.5% the target that was set for this bank.

Market trends**Overall economic trends in 2005**

The global economy continued to expand in 2005. The negative economic effects of the renewed rise in energy prices and the feared effects of the hurricanes on the U.S. economy were relatively mild. Global economic growth was buoyed by two factors in particular: the unrelentingly rapid growth in China and India and the growing gross domestic product (GDP) in the United States. Chinese GDP expanded at an average rate of 9.4% year on year in the first three quarters of 2005. During the same period, the United States experienced average GDP growth of 3.8%.

In the euro zone, Great Britain and Japan, however, economic growth was much more moderate. The steady economic upswing observed in Japan since the beginning of the year slowed down noticeably after the middle of the year and economic activity in Great Britain was subdued at best.

In the national economies of the euro zone, economic activity increased moderately in 2005. Although consumer confidence was dampened by the run-up in oil prices, business confidence was more positive, due to the growing level of new orders. In the new member states of the European Union, economic activity, measured in terms of industrial production, picked up appreciably during the course of the year. The Czech Republic, Slovakia and the Baltic states in particular experienced significant economic growth.

Austria saw economic growth of 1.9% in 2005, putting it ahead of the other national economies of the euro zone.

In its most recent forecast, the International Monetary Fund predicted significant global GDP growth for 2006, albeit coupled with a slower rate of growth for real global trade. This forecast is based on the assumption that the dampening effects of higher oil prices will be offset by a continuation of expansive monetary policy, low rates of interest in the capital markets and the continued improvement of the balance sheet structures of commercial enterprises.

In Germany, the trend of stable economic growth continued in 2005, supported by a favorable trend of exports and stronger growth indicators within the domestic economy. Adjusted for calendar effects, the German economy grew at a rate of 1.1% in 2005, the same rate of growth observed in the previous year (1.1%). At the same time, the average annual inflation rate for 2005 is estimated at 2.0%, due most of all to higher energy prices, making it the highest rate of inflation in four years (after 1.6% in 2004). The unemployment rate remained high and the total government budget deficit in Germany amounted to 3.5% of that country's GDP (2004: 3.9%), again exceeding the 3% limit for new government borrowing set forth in the European Community Treaty.

Trends in the financial markets

The stock markets in Germany and Europe performed very well in 2005. The setbacks in April and August and the brief downturn in October were quickly corrected. As in the previous year, the DAX reached its high for the year in the final quarter, shortly before the end of the year. In the case of 2005, the high for the year was also a new four-year high. The DAX gained 27.1% on the year, to reach 5,408.3 points, substantially outpacing the prior-year increase of 7.3%. Having added 1,152.2 points in 2005, the DAX significantly outper-

formed the U.S. and European indexes. The Dow Jones Industrial Average lost 0.6% on the year, while the FTSE 100 gained 16.7% and the CAC40 23.4%. However, the DAX could not outperform the Nikkei index of Japanese stocks, which gained 40.2% in 2005. The Vienna Bourse was again one of the world's strongest markets, gaining more than 50% in value. The SDAX and MDAX handily outperformed the DAX, gaining 36.0% (MDAX) and 35.2% (SDAX).

The trend of recovery in the stock markets and the generally better state of corporate earnings attracted numerous IPO candidates in 2005. A total of 14 German companies issued stock for the first time on the German stock exchanges (not including the over-the-counter market segment) last year (2004: 6).

As share prices appreciated, the volume of securities traded on the German stock exchanges increased significantly as well. A total of 199.8 million orders (2004: 170.7 million) were executed on the German stock exchanges last year, 17.0% more than the previous year. In money terms, the volume of securities traded on all exchanges amounted to €3.8 trillion in 2005, significantly more than the corresponding prior-year figure (€3.3 trillion). Of this total, share trades accounted for approximately €3.1 trillion (2004: € 2.5 trillion), warrants for approximately €96.5 billion (2004: € 88.7 billion) and fixed-income securities for approximately €615.0 billion (2004: €710.0 billion). This trading volume was only slightly lower than the corresponding figures for the boom years of 2000 and 2001 (€4.0 trillion and €4.4 trillion).

Despite the substantial share price appreciation in the German stock markets, the number of direct shareholders rose only slightly. According to the German stock market association Deutsches Aktieninstitut, the number of direct shareholders declined from €6.21 million in 2000 to €4.61 million in 2004, and rose again only slightly to €4.74 million in the first half of 2005. Accordingly, about 7.3% of all Germans own stocks (compared to 9.7% in 2000).

While the securities markets put on a very good show, the money markets initially experienced little movement in the first three quarters, although interest rates rose sharply in the fourth quarter of the year, especially in the longer maturity ranges. The 3-month European Interbank Offered Rate (Euribor), which represents the agreed interest rate for interbank lendings of 3-month time deposits, rose from 2.16% at the end of 2004 to 2.49% at the end of 2005. The 12-month Euribor rose from 2.30% at year-end 2004 to 2.84% at year-end 2005. In December 2005, this interest rate had reached its highest level on an average monthly basis since the beginning of 2003.

Until the third quarter of last year, international bond markets were very much driven by the high oil prices, which were initially perceived as having a slowing effect on the global economy. As bond yields declined around the world, the current yield of fixed-income securities fell from 3.63% at December 31, 2004, to a low for the year of 2.84% at the end of September. During this time, the yield gap between ten-year U.S. treasury bonds and German government bonds widened from 60 basis points at the start of the year to 114 basis points at the end of September. In the fourth quarter, however, global bond yields began to rise, influenced by the brighter outlook for global economic growth, the moderate decrease in oil prices and the stable level of implied bond volatility. At the same time, the yield gap between ten-year government bonds in the United States and Europe held steady in the fourth quarter, ending the year at around 111 basis points. The yield on ten-year German government bonds declined from 3.63% at the end of 2004 to 3.29% at the end of 2005. Over the same period, the Bund future rose from 117.7 to 121.84.

The interest premiums imposed on corporate bonds of rating class BBB, which carried an implicitly higher risk of default and liquidity problems in the first half of the year, experienced little movement in the second half of the year. Reflecting the lower appetite for risk among market participants, the volume of corporate bonds traded declined in 2005. Sales of fixed-interest industrial bonds fell from €10.78 billion in 2004 to €5.99 billion in the first ten months of 2005.

Despite the low level of interest rates, there was relatively little issuance activity in the German bond market. The gross sales of fixed-income securities of issuers based in Germany came to only €855.87 billion in 2005, considerably less than the corresponding prior-year figure of €990.40 billion.

Developments in the financial services sector

The German banking system continued to stabilize in 2005, despite unfavorable conditions and/or upheavals in some areas. In particular, the German financial system benefited from the robust growth of the global economy, accompanied by only moderate inflation, as well as favorable financing terms and the progress that many enterprises in Germany and around the world have made toward improving their balance sheets.

In general, German banks improved their profitability in the fiscal year. Although the German banking system is becoming more efficient, the gap between German banks and their European counterparts has not yet been completely closed. Thus, the cost-income ratios of German banks continued to improve in the direction of international standards, but are still about 5 percentage points behind the average level of comparable European banks. The efficiency gains that have been achieved are the result of cost control efforts that have been undertaken by the German banks. In contrast to the prevailing European trend, the ratio of operating income to weighted risk assets increased among the group of German banks. Moreover, the trend of mergers in Germany is sending positive signals regarding the profitability and stability of the German banking system.

The risk situation of German banks also continued to improve. The key factors contributing to this positive development were improved risk management programs, the deliberate elimination of risky loans from lending portfolios, balance sheet improvements, the conservative approach to setting aside funds to cover possible losses that has been practiced in recent years and the lower risk propensity of the German banks. The reduced volume of loan loss provisions is an expression of the improved risk situation.

German banks still have ample capital reserves, and their ability to absorb risk continued to improve. On average, German banks are showing equity ratios and core capital ratios of 14.5% and 10.3%, respectively, well over the minimum regulatory ratios of 8% and 4%, respectively.

With regard to their profitability, however, the German banks still have quite a bit of catching up to do before they draw even with their international counterparts. Thus, they need to continue their efforts to close the profitability gap with their international competitors.

Trends affecting direct banks

The segment in which direct banks are active continued to be a growth market in 2005. The total number of securities account customers increased by around 415 thousand (11%) in 2005, to reach 4.1 million customers.

Customers/securities accounts (number)

	2003	2004	2005e	2006e	2007e	2008e
comdirect	541,944	538,522	550,948	620,000	680,000	750,000
Cortal Consors	515,000	498,000	520,000	570,000	630,000	700,000
DAB bank*	434,853	858,351	955,720	1,001,000	1,076,000	1,151,000
DiBa incl.						
Entrium	260,000	347,000	472,000	597,000	722,000	847,000
Maxblue	480,000	500,000	530,000	560,000	590,000	620,000
Postbank						
Easytrade	332,000	394,000	454,000	514,000	574,000	634,000
s broker	66,000	95,000	125,000	160,000	200,000	250,000
Other	470,203	483,705	522,052	578,000	628,000	648,000
Total	3,100,000	3,714,578	4,129,720	4,600,000	5,100,000	5,600,000

* The DAB bank figures for 2004 are pro forma figures including FSB FondsServiceBank; the figures for 2005 are actual figures of DAB bank

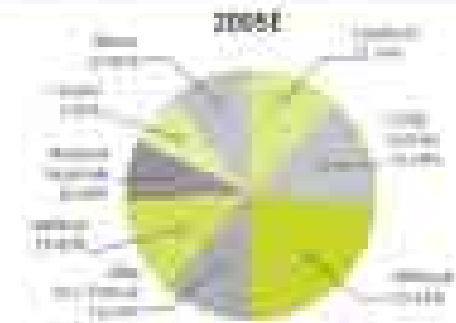
Source: West LB Equity Research and DAB bank

The trend of uninterrupted growth can be attributed in particular to the following factors:

- Dissatisfied with the terms and service quality of branch banks, customers are increasingly willing to change banks;
- As the younger generation matures, more and more customers are disposed to embrace technology and conduct their banking business
- The Internet is making the market more transparent;
- There is a heightened tendency among consumers to engage in “cherry-picking,” even to use several banks in order to optimize their costs.

The broader competitive environment of DAB bank is composed of former traditional online brokers like comdirect and CortalConsors, on the one hand, and autobanks like Volkswagen Bank and traditional direct banks like ING DiBa, on the other hand.

Market share, number of securities accounts of leading online brokers



Source: West LB Equity Research and DAB bank

In the online banking market, a convergence of the business models of the online brokers and traditional direct banks can be observed, along with increased exploitation of cross-selling potential.

Traditional online brokers continued a trend toward extending their service offerings in the direction of full-range direct banks, with an emphasis on securities-related services and core banking functions (checking accounts), as well as sales and advice for individual retirement planning, insurance and home construction finance.

Conversely, the direct banks and autobanks are increasingly becoming active in the business of securities-related services.

Two main groups can be identified as direct competitors in the online banking sector. On one side are banks that primarily distribute simply structured product portfolios with low-cost solutions to satisfy the needs of the average consumer, which can also be described as a cost-optimized business model with a limited range of services. On the other side are banks that offer the broadest possible range of products and services. Such banks seek to neutralize the higher costs of this more complex business model by exploiting synergy effects and cross-selling potential.

And yet, both these alternatives are derived from the original idea, which is exclusively based on quick, low-cost online trading.

Strategy: DAB bank's business model is unique

DAB bank follows a clear business strategy that is geared to profitable growth. All our business activities are informed by this goal, which we seek to accomplish by pursuing four key objectives:

We continue to focus on Germany and Austria

DAB bank is the No. 1 direct bank for securities-related services for individual investors and business customers. By offering a wide range of innovative products and services, we can provide the best solutions for any financial need, whether trading and investment, savings and retirement planning, financing or insurance, distributed by us directly or through our network of partners. We offer these services both in Germany and in Austria, where our subsidiary direktanlage.at holds a market share of 70%.

We continue to strengthen our B2B business

The B2B segment is crucial to our success and we continue to expand this business in a profitable manner. The acquisition of FondsServiceBank broadened the scope of our B2B business considerably. Together with FondsServiceBank, we are the market leader for standardized B2B services and for dealings with investment fund brokers. Our customers stand to benefit as well, because the acquisition of FondsServiceBank enables us to offer an even wider range of products and services.

We utilize the advantages of our leading-edge IT system to generate profitable growth

Our success in the business-to-consumer (B2C) and business-to-business (B2B) segments depends on our highly modern IT platform, which we consider to be the basis for our growth in the future. Other banks and financial services can also benefit from the superiority of our IT platform. For example, Nordinvest has managed its custody accounts on our IT platform since 2005. Also in 2005, we introduced a new core banking system, which is among the best of its kind in the world and the first of its kind to be implemented in Germany. The new system will enable us to add attractive new products to our offering.

We seek to insulate our performance from negative stock market trends, while benefiting from positive stock market trends

Our strategic actions are guided by a commitment to lasting success. A critically important tenet of our strategy is to insulate our performance from negative stock market trends, while taking full advantage of all opportunities when the stock markets are friendlier.

Business performance and key indicators

11.3% increase in securities account customers

The DAB bank Group added 97,369 net new securities accounts in 2005, bringing the total number to 955,720 at the end of 2005 (end of 2004: 858,351). All business units of DAB bank expanded their customer base. Our newly acquired unit FondsServiceBank added 78,166 net new securities accounts, bringing the total number to 462,721. In Germany, we concentrated our resources on the goal of exploiting the cross-selling potential of our existing customer base, and consequently we scaled back our expenditures for new customer acquisition. Nonetheless, we added 91,320 net new securities accounts, bringing the total to 919,648. In Austria, our subsidiary direktanlage.at leveraged its position as the market leader in that country, adding 6,049 net new securities accounts, bringing the total number to 36,072.

Securities accounts

		2005	2004	Change in %
Customer securities accounts	No.	955,720	858,351	11.3
thereof Germany	No.	919,648	828,328	11.0
thereof DAB bank B2B/B2C	No.	456,927	443,773	3.0
thereof FondsServiceBank	No.	462,721	384,555	20.3
thereof Austria	No.	36,072	30,023	20.1
New securities accounts (net)	No.	97,369	49,722	95.8
thereof Germany	No.	91,320	46,475	96.5
thereof DAB bank B2B/B2C	No.	13,154	8,920	47.5
thereof FondsServiceBank	No.	78,166	37,555	108.1
thereof Austria	No.	6,049	3,247	86.3

Increase in the number of trades executed

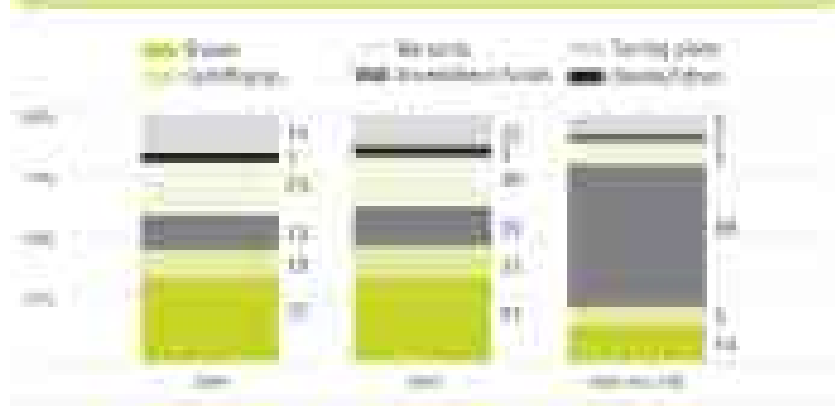
The substantial, sustained recovery of the stock markets benefited the DAB bank Group in 2005. We executed 9,494,762 trades for our customers last year, 24.8% more than in the preceding year (7,610,737). The positive effect of the recovering stock markets on our business was particularly evident in the second half of the year, when the number of orders placed with DAB bank rose 37.5% over the first half. All business units reported a significantly higher level of orders. In Germany, the number of securities orders rose 23.9% to 8,954,706 trades (2004: 7,226,759). Of this number, the B2B segment accounted for 6,033,400 (of which FondsServiceBank accounted for 5,570,161), indicative of a 28.3% increase, and the B2C segment accounted for 2,921,306 trades (+15.8%). The volume and trend of customer trades have no bearing on the earnings of FondsServiceBank, which by virtue of its business model generates most of its income in the form of custody account fees. In Austria, our subsidiary direktanlage.at also benefited from the positive development of the Austrian stock index ATX, in particular, and the international stock exchanges in general. The number of trades executed by our Austrian subsidiary rose 40.6% to 540,056 (2004: 383,978).

Groupwide, the number of trades per securities account per year rose from 9.13 in 2004 (6.88 excluding FondsServiceBank) to 10.47 in 2005 (8.12 excluding FondsServiceBank). In Germany, our customers ordered 10.25 trades per securities account per year (7.52 excluding FondsServiceBank), as compared to 8.98 trades per securities account per year in 2004 (6.45 excluding FondsServiceBank). In Austria, our customers ordered 16.34 trades per securities account per year (2004: 13.52).

Trades

		2005	2004	Change in %
Trades	No.	9,494,762	7,610,737	24.8
thereof Germany	No.	8,954,706	7,226,759	23.9
thereof DAB bank B2B/B2C	No.	3,384,545	2,834,927	19.4
thereof FondsServiceBank	No.	5,570,161	4,391,832	26.8
thereof Austria	No.	540,056	383,978	40.6
Trades per securities a/c per year	No.	10.47	9.13	14.7
Germany	No.	10.25	8.98	14.1
DAB bank B2B/B2C	No.	7.52	6.45	16.6
FondsServiceBank	No.	13.15	12.01	9.5
Austria	No.	16.34	13.52	20.9

Trades by category of securities (Germany) in %



Customer assets grow to record level

The volume of customer assets administered within the DAB bank Group in 2005 reached a total of €24.98 billion, the highest level in the history of our bank. Substantial growth rates were registered in all asset categories. The volume of assets in securities accounts rose 40.3% over the previous year to reach €23.09 billion. The increase in the volume of customer assets in investment funds was even more impressive, at 47.1%, bringing the total to €14.65 billion. Of this amount, the B2C and B2B segments together accounted for €8.13 billion (+47.3%) and the Austria segment accounted for €0.40 billion (+90.5%). With €6.12 billion of customer assets in investment funds (+44.7%), FondsServiceBank effectively broadened our asset portfolio structure and increased by around 40% the overall volume of customer assets in investment funds. Furthermore, the volume of customer assets in deposit accounts increased both in Germany and Austria to reach €1.89 billion, which is about 13.2% higher than the corresponding prior-year figure.



The positive signals of increasing activity in the B2B segment in Germany that began to show up at the end of 2004 solidified in 2005. Consequently, DAB bank was able to strengthen further its market leadership position. The 43.8% increase in the volume of customer assets, bringing the total to €9.0 billion, confirmed that DAB is pursuing the right growth strategy in this segment. In the B2B segment in Austria, all performance indicators showed significant growth. For example, the number of end customer securities accounts and the number of trades executed increased at a rate of approximately 170%.

Volume of assets in securities accounts and deposits

		2005	2004	Change in %
Volume of assets in securities accounts and deposits	€ bn	24.98	18.13	37.8
thereof Germany	€ bn	23.23	16.99	36.7
thereof DAB bank B2B and B2C	€ bn	17.11	12.76	34.1
thereof FondsServiceBank	€ bn	6.12	4.23	44.7
thereof Austria	€ bn	1.75	1.14	53.5
Volume of assets in securities accounts	€ bn	23.09	16.46	40.3
thereof Germany	€ bn	21.56	15.51	39.0
thereof DAB bank B2B and B2C	€ bn	15.44	11.28	36.9
thereof FondsServiceBank	€ bn	6.12	4.23	44.7
thereof Austria	€ bn	1.53	0.95	61.1
thereof in funds	€ bn	14.65	9.96	47.1
thereof Germany	€ bn	14.25	9.75	46.2
thereof DAB bank B2B and B2C	€ bn	8.13	5.52	47.3
thereof FondsServiceBank	€ bn	6.12	4.23	44.7
thereof Austria	€ bn	0.40	0.21	90.5
Deposits	€ bn	1.89	1.67	13.2
thereof Germany	€ bn	1.67	1.48	12.8
thereof DAB bank B2B and B2C	€ bn	1.67	1.48	12.8
thereof FondsServiceBank	€ bn	0.00	0.00	0.0
thereof Austria	€ bn	0.22	0.19	15.8

B2C (business-to-consumer)

		2005	2004	Change in %
Volume of assets in securities accounts and deposits	€ bn	9.53	7.50	27.1
thereof Germany	€ bn	8.11	6.49	25.0
thereof Austria	€ bn	1.42	1.01	40.6
Securities accounts	No.	427,198	421,031	1.5
thereof Germany	No.	397,895	393,524	1.1
thereof Austria	No.	29,303	27,507	6.5
Trades	No.	3,418,728	2,890,720	18.3
thereof Germany	No.	2,921,306	2,522,648	15.8
thereof Austria	No.	497,422	368,072	35.1
Volume of assets in securities accounts	€ bn	8.34	6.54	27.5
thereof Germany	€ bn	7.11	5.71	24.5
thereof Austria	€ bn	1.23	0.83	48.2
thereof Fonds	€ bn	2.50	1.94	28.9
thereof Germany	€ bn	2.24	1.77	26.6
thereof Austria	€ bn	0.26	0.17	52.9
Deposits	€ bn	1.19	0.96	24.0
thereof Germany	€ bn	1.00	0.78	28.2
thereof Austria	€ bn	0.19	0.18	5.6

Regulated Accounts, Trades and Securities Management Sub-Portfolio (€ bn and %)

B2B (business-to-business)

		2005	2004	Change in %
Volume of assets in securities accounts and deposits	€ bn	15.45	10.62	45.5
thereof Germany	€ bn	15.12	10.49	44.1
thereof DAB bank B2B	€ bn	9.00	6.26	43.8
thereof FondsServiceBank	€ bn	6.12	4.23	44.7
thereof Austria	€ bn	0.33	0.13	153.8
Financial intermediaries	No.	921	819	12.5
thereof Germany	No.	809	753	7.4
thereof DAB bank B2B	No.	789	736	7.2
thereof FondsServiceBank	No.	20	17	17.6
thereof Austria	No.	112	66	69.7
End customer securities accounts	No.	528,522	437,320	20.9
thereof Germany	No.	521,753	434,804	20.0
thereof DAB bank B2B	No.	59,032	50,249	17.5
thereof FondsServiceBank	No.	462,721	384,555	20.3
thereof Austria	No.	6,769	2,516	169.0
Trades	No.	6,076,034	4,720,017	28.7
thereof Germany	No.	6,033,400	4,704,111	28.3
thereof DAB bank B2B	No.	463,239	312,279	48.3
thereof FondsServiceBank	No.	5,570,161	4,391,832	26.8
thereof Austria	No.	42,634	15,906	168.0
Volume of assets in securities accounts	€ bn	14.75	9.91	48.8
thereof Germany	€ bn	14.45	9.79	47.6
thereof DAB bank B2B	€ bn	8.33	5.56	49.8
thereof FondsServiceBank	€ bn	6.12	4.23	44.7
thereof Austria	€ bn	0.30	0.12	150.0
thereof investment funds	€ bn	12.15	8.03	51.3
thereof Germany	€ bn	12.01	7.99	50.3
thereof DAB bank B2B	€ bn	5.89	3.76	56.6
thereof FondsServiceBank	€ bn	6.12	4.23	44.7
thereof Austria	€ bn	0.14	0.04	250.0
Deposits	€ bn	0.70	0.71	-1.4
thereof Germany	€ bn	0.67	0.70	-4.3
thereof DAB bank B2B	€ bn	0.67	0.70	-4.3
thereof FondsServiceBank	€ bn	0.00	0.00	0.0
thereof Austria	€ bn	0.03	0.01	200.0

Earnings performance

The consolidated pretax profit of DAB bank for 2005, calculated according to IFRS rules, was €23,891 thousand, 48.25% higher than the prior-year figure (2004: €16,115 thousand). Consequently, the return on equity (RoE) before taxes improved by 4.6% to 14.4% (2004: 10.8%). The profit after taxes came to €19,268 thousand (2004: €24,749 thousand).

The earnings per share came to €0.26 (2004: €0.33). The decline can be attributed to the fact that the prior-year figure was favored by a positive tax effect resulting from the recognition of deferred tax assets for tax loss carry-forwards from earlier years.

The significant increase in the company's profit, continuing a trend of such increases, was mainly due in 2005 to the positive development of income, caused in particular by the higher number of trades executed and the successful buildup of commission income that does not depend on customer trading activity.

Record profit leads to dividend increase

At the annual shareholders meeting to be held on May 11, 2006, the Management Board and Supervisory Board will propose paying a dividend equal to the entire unappropriated net profit according to German Commercial Code rules (as they did last year). For 2005, this amount comes to €13,534 thousand (2004: €11,278 thousand), which translates to €0.18 per share, indicative of a 20% increase over the previous year's dividend of €0.15 per share. The distribution of this attractive dividend underscores the commitment of DAB bank's management to generate sustainable profits and adhere to a policy of continuity with respect to dividends.

Net financial income

At €30,941 thousand (thereof FondsServiceBank €181 thousand), the net financial income was lower than it was in the previous year (€33,617 thousand). Due to the continued low level of interest rates, the net interest income before provisions for possible losses fell to €40,582 thousand (thereof FondsServiceBank €6 thousand) (as compared to €45,077 thousand in 2004) due to a disproportionately small increase in interest income from securities (+1.9%) and higher interest expenses due to volume effects (+19.7%). The trading profit, which is based on the measured value of securities held for trading for purposes of the DAB bond and hedge fund certificates market, improved by more than 106.7%, from €1,288 thousand in 2004 to €2,662 thousand in 2005.

Provisions for possible losses

Thanks to the positive development of share prices on the stock exchanges and the continued improvement of our proactive risk management program, we were able to effect a net reversal of provisions for possible losses, in the amount of €115 thousand (2004: net reversal of €1,137 thousand).

Net commission income

Groupwide, the net commission income for 2005 amounted to €100,124 thousand (thereof FondsServiceBank €14,265 thousand), indicative of a 39.4% increase over the prior-year figure (€71,818 thousand). Commission income rose 59.5%, from €98,221 thousand in 2004 to €156,650 thousand (thereof FondsServiceBank €26,537 thousand) in 2005.

The significant increase in commission income can be attributed both to the positive trend of trades executed for customers and to the successful build-up of commission income that does not depend on trades executed, due to the acquisition of FondsServiceBank and our proactive sales campaigns. The commission expenses of DAB bank amounted to €56,525 thousand (thereof FondsServiceBank €12,272 thousand) in 2005, as compared to €26,403 thousand in 2004.

Administrative expenses

The administrative expenses of DAB bank for 2005 amounted to €116,766 thousand (thereof FondsServiceBank €15,864 thousand), 21.5% higher than the corresponding prior-year figure (€96,130 thousand) due to the heightened level of outside support services utilized in connection with projects such as the introduction of a core banking system and the integration of FondsServiceBank.

At €37,523 thousand (thereof FondsServiceBank €5,716 thousand), personnel expenses were considerably higher than in 2004 (€29,658 thousand), due mainly to the addition of FondsServiceBank personnel and a moderate increase in other employees. Depreciation of property, plant and equipment and amortization of intangible assets together amounted to €8,704 thousand (thereof FondsServiceBank €2,133 thousand) for 2005, 19.3% higher than the corresponding prior-year figure (2004: €7,298 thousand). This increase was due to the recognition of an impairment loss in connection with the integration of FondsServiceBank and the higher level of intangible assets resulting from the various projects pursued in 2005. Whereas the marketing expenses were only slightly higher, at €9,661 thousand (thereof FondsServiceBank €33 thousand) (2004: €8,469 thousand), IT expenses rose 24.5% to €19,746 thousand (thereof FondsServiceBank €3,509 thousand)

(2004: €15,857 thousand), in connection with the projects pursued in 2005. Communication expenses increased from €5,581 thousand in 2004 to €7,145 thousand (thereof FondsServiceBank €963 thousand) in 2005. At €15,317 thousand (thereof FondsServiceBank €1,577 thousand) (compared to €13,336 thousand in 2004), securities clearing and settlement costs were not nearly as high as one would expect, considering the marked increase in trading activity. This favorable effect resulted from the engagement of a new service provider for securities clearing and settlement, HSBC Trinkhaus & Burkhardt, in 2004. The full impact of this change took effect in 2005. The remaining other administrative expenses, which came to €18,670 thousand (thereof FondsServiceBank €1,953 thousand) (after €15,931 thousand in 2004), were influenced above all by the cost of outside support services in connection with the introduction of our new core banking system.

Result before taxes

The pretax profit for the entire group came to €23,891 thousand in 2005 (2004: €16,115 thousand). Of this total, DAB bank contributed €18,749 thousand (thereof FondsServiceBank €5,722 thousand) and direkt-anlage.at AG €5,142 thousand. Thus, we overshot our goal of generating a Groupwide profit of €21 million by 13.8%.

Net profit for the year

After income taxes, the net profit of DAB bank came to €19,268 thousand (2004: €24,749 thousand). Accordingly, earnings per share was €0.26 (2004: €0.33). Earnings per share was lower in 2005 as a result of a favorable tax effect in 2004 due to the recognition of deferred tax assets on tax loss carry-forwards from earlier years.

Cost-income ratio

The cost-income ratio for 2005 improved to 83.4%, after 84.5% in 2004. The related income and expense was €144,057 thousand in 2005 (2004: €138,983 thousand) and €120,166 thousand (2004: €121,396 thousand), respectively.

Capital investments for upgrading the IT platform are largely completed

The capital investment activities of DAB bank were focused on two main areas in 2005. The first was the implementation and activation of our new core banking system. This project has enabled us to round out the range of products and services we offer to individual investors in particular. At the start of 2006, we can begin offering our customers scalable solutions for cash accounts and bank cards. The second main challenge we faced in 2005 was the integration of FondsServiceBank. The technical migration will be completed in the first half of 2006. Thus, we have positioned DAB bank as an active player in the segment of investment fund banks, thus making it possible to extend our strong position in the B2B segment. As a further consequence of the FondsServiceBank transaction, we have begun to add additional functional capabilities to our commission billing system and to introduce a data warehouse to upgrade our data analysis capabilities. When these projects are completed, we will have completed the transformation of our technical infrastructure and established a highly modern and effective IT platform. Going forward, we intend to actively exploit all the opportunities this system can offer to further our business in all segments.

Developments at direktanlage.at AG

Our subsidiary direktanlage.at AG was likewise very successful in 2005. Last year, direktanlage.at AG generated a pretax profit of €5.142 million, 60% higher than the record pretax profit it reported in 2004 (€3.2 million) and the best result in the history of this company.

direktanlage.at AG increased its customer base 20.1%, from 30,023 in 2004 to 36,072 in 2005. Due to the strong increase in the number of customers (+20%) and the trend of rising prices in the capital markets, direktanlage.at AG registered the highest nominal increase in the volume of customer portfolio assets in its history. In only three years, the volume of customer portfolio assets has tripled, reaching €1.75 billion at the end of 2005, 53.5% higher than the corresponding prior-year figure.

Also in 2005, our Austrian subsidiary took important strategic steps to bolster its future prospects. In the asset management business, it entered into a cooperation with Dr. Jens Ehrhardt Kapital AG in June 2005. Thanks to this cooperative agreement, direktanlage.at AG is now in a position to offer its customers objective asset management advice. In addition, the company opened its sixth branch office, in Innsbruck, on December 1, 2005. The employees in the branches assist the bank's customers in opening their securities accounts and offer them objective investment and asset management advice.

Balance sheet

Total assets and development of individual balance sheet items

At December 31, 2005, the total assets of DAB bank amounted to €2,510,544 thousand (2004: €2,168,533 thousand). The increase over the previous year was mainly due to an increase in customer deposit accounts.

Receivables due from customers rose 10.5% over the previous year (€428,773 thousand) to reach €473,917 thousand. Continuing a trend of earlier years, the provisions for possible losses were clearly reduced by 16.8% to €3,327 thousand (2004: 3,997 thousand). While the receivables due from banks decreased 8.8% from €418,143 thousand in 2004 to €381,322 thousand in 2005, financial assets rose 27.9% from €1,119,571 thousand at December 31, 2004 to €1,432,326 thousand at year-end 2005. The difference from the previous year is due to an increase in securities holdings resulting from the heightened volume of deposit accounts. At December 31, 2005, the liabilities due to customers amounted to €2,156,095 thousand, €324,468 thousand higher than the corresponding prior-year figure (€1,831,627 thousand). This substantial increase resulted from the increased volume of deposit accounts in 2005. On balance, the Group's subordinated capital increased by €1,848 thousand in 2005 to reach €10,002 thousand at the end of the year, as compared to €8,154 thousand at year-end 2004. Consolidated equity at the balance sheet date amounted to €169,616 thousand, as compared to €162,210 thousand at the end of 2004. This translates to an equity ratio of 6.8% (2004: 7.5%).

Key regulatory ratios of DAB bank

The weighted risk assets, including market risk positions, of the DAB bank Group amounted to €785 million at year-end 2005, slightly lower (by €13 million) than the corresponding prior-year figure. The risk assets were lower, at €735 million (2004: €785 million), while the market risk positions were higher, at €4 million (2004: €1 million).

Including the unappropriated net profit of €13,534 thousand, the regulatory core capital of the DAB bank Group at December 31, 2004, calculated according to German commercial law decreased to €64 million. This decrease was caused by the fact that software which had been stated as an item of property, plant and equipment in the prior-year financial statements was reclassified as an item of intangible assets in the financial statements for 2005. As a regulatory consequence, this reclassification led to a deduction from core capital. The supplementary capital that exists alongside the core capital increased to €8 million as a result of the bank having received a subordinated loan from HVB. Total liable capital came to €72 million, as compared to €129 million at year-end 2004.

The resulting equity ratio was 9.8% (after 16.4% in 2004) and the core capital ratio was 8.7% (after 15.9% in 2004). As in earlier periods, these ratios are well above the regulatory minimum ratios of 8.0% for equity and 4.0% for core capital ratio.

Bank regulators in Germany evaluate the liquidity of banks with reference to a liquidity ratio known as Principle II. It is calculated as the ratio of the cash

and cash equivalents available within a given month to the payment obligations falling due during the same period. The bank's liquidity is deemed to be adequate if this ratio is at least 1.0. For DAB bank AG, this ratio was 7.54 at December 31, 2005 (2004: 7.62). Thus, adequate liquidity is assured at all times.

DAB bank is a member of the deposit insurance fund of the German bankers association Bundesverband deutscher Banken e.V., Cologne. Under the deposit insurance fund, every customer of DAB bank is currently insured for deposits of up to €36,311 thousand. In addition, DAB bank is a member of the compensation fund Entschädigungseinrichtung deutscher Banken GmbH.

Our employees

Again in 2005, our employees performed outstanding work on the various projects in progress, in addition to their day-to-day duties. Many of our employees were involved both in the implementation of our core banking system and in the integration of FondsServiceBank into DAB bank. Thanks to the dedication and hard work of those employees working on these projects, as well as those employees who took on additional, day-to-day duties during this time, all projects were brought either to a successful conclusion or to an advanced stage of progress.

As a rule, all employees of DAB bank, Germany, receive a fixed component of salary and a results-oriented or performance-oriented variable salary component. The size of these variable components is determined on the basis of the employee's hierarchical level. In this regard, specialist and management careers are treated equally. In addition, those employees who work in sales

functions receive a variable salary component that ranges from 0% to 200%, depending on their individual sales performance. The use of such variables was expanded in 2005. In the case of those employees who work on the Sales Team and Expert Team, contacting customers directly by telephone to sell them products, the variable component is replaced with a direct commission on the sales they generate. A similar system of performance-oriented and results-oriented salary components is practiced at direktanlage.at in Austria.

The DAB bank Group had 504 employees in 2005, up from 392 (full-time equivalents, excluding FondsServiceBank) in the previous year. Most of this increase is the direct consequence of the acquisition of FSB FondService-Bank GmbH. Adjusted for this effect, the number of employees would have risen 6.4%, from 392 to 417. The average age of DAB bank employees is 34 and the average years of service with the company is about five years.

Employees		2005	2004*	Change in %
Employees (head count)	No.	675	639	5.6
thereof Germany	No.	573	552	3.8
thereof Austria	No.	102	87	17.2
Employees (full-time equivalents)**	No.	598	567	5.5
thereof Germany	No.	504	489	3.1
thereof Austria	No.	94	78	20.5

* Including FondsServiceBank

** Employee capacity = Country-specific full-time equivalent.

Important events after December 31, 2005

Effective at the end of March 9, 2006, Ms. Christine Licci of Schindeleggi, Switzerland, has resigned her office as a member of the Supervisory Board and her chairmanship of the Supervisory Board.

Report on relations with affiliated companies

As of December 31, 2005, UniCredito S.p.A., Genoa, Italy, indirectly holds, and Bayerische Hypo- und Vereinsbank AG, Munich, directly holds 76.36 % of the shares in DAB bank AG. Due to this majority investment, DAB bank AG is a directly dependent company of HVB. The voting rights connected with this investment are allocated to UniCredito Italiano S.p.A. pursuant to Sections 21 (1) and 22 (1)(1)(1) of the Securities Trading Act (WpHG).

A management control agreement does not exist. In accordance with the requirements of Section 312 of the German Stock Corporations Act ("AktG"), the Management Board of DAB bank prepared a report on the relations with affiliated companies for the 2005 financial year (known as the Dependency Report), which closes with the following declaration:

"For the legal transactions listed in the report on relationships to affiliated companies, our company has received appropriate consideration for each legal transaction according to the circumstances that were known to us at the time when the legal transactions were carried out. No other actions within the meaning of Section 312 of the Stock Corporation Act (AktG) were taken or refrained from."

>> Risk Report

Risk monitoring and management system of DAB bank

Basic factors affecting the Groupwide monitoring and management of risk

The conscious assumption of risk is an important element of the banking business. Generally speaking, it is not possible for banks to generate income without incurring some risk. In today's environment, a critical success factor for banks is their ability to identify the opportunities and risks arising in the course of their business and to protect and preserve their long-term profitability and capacity to pay dividends, even and especially when conditions in the capital markets are turbulent, by means of suitable monitoring and control processes on the basis of a differentiated risk measurement policy, while also taking the given capital resources into account. Thus, the success of our Group depends to a large extent on our ability to identify, effectively manage and monitor the risks that arise in the course of our business activities.

An important characteristic of our risk management process is the close correlation of profitability and risk considerations in all areas of our business. DAB bank possesses a clearly defined, broad-based risk management and controlling system, which is integrated into the overall management of our business and anchored in suitable organizational structures. The employees of our group are highly conscious of risks and are actively involved in the risk management and controlling system.

The following twelve principles describe the core components of the risk management and controlling system of DAB bank.

- **Principle I: Responsibility of the senior management for the strategy of the bank**

The management adopts the strategy that informs the bank's willingness to assume risk and the desired risk-return ratio. This strategy also forms the basis for the risk absorption calculation and the consistent limit structure. Moreover, it is a basic prerogative of the management to establish the business objectives of the company and incorporate them into the overall strategy. Besides the fundamental objectives that are pursued in the bank's lending and trading activities, the management will also adopt goals regarding the desired structure of portfolios, based on risk-return considerations, and manage the bank's business on the basis of risk-return indicators, tracked by means of suitable reporting instruments.

The senior management, as well as departmental managers, are responsible for establishing organizational structures that properly reflect the prevailing factors and conditions affecting the management of risk, and for initiating suitable measures, including organizational directives and instructions, to implement the strategy.

■ Principle II: Clear definition of organizational structure and of the risk management and controlling process

The roles and responsibilities of all persons involved in the risk process, from the senior management to every employee in the departments and serving on the committees, are clearly defined by means of an appropriate organizational structure, such that all kinds of risk that are relevant to the business of DAB bank are covered.

The reporting paths are transparent, and the relevant reports are published for everyone in the bank. All requirements imposed by law on the organizational structure, including the principle of dual control, the protection of the confidentiality of data and information in accordance with the rules established by DAB bank and the avoidance of conflicts of interest, are observed at all levels of the organizational hierarchy.

■ Principle III: Separation of functions

With respect to the risk management and controlling process, the following two principles are observed in order to assure objectivity and avoid conflicts of interest:

1. The risk controlling function (including responsibility for methods and quality controlling of risk-relevant data) is completely separated from the risk management function.
2. The decentralized management of specific individual risks (credit risk management) is kept separate from centralized portfolio management, according to the definition set forth in the Minimum Requirements for the Lending Activities of Banks in Germany ("MaK").

The implementation of rules governing the loan approval process is closely linked to the proper separation of functions from the standpoint of risk. In

this regard, DAB bank has established a sensible and adequate division of duties among the affected departments.

■ Principle IV: Heightened risk awareness and culture

DAB bank has established an appropriate organizational structure and regularly takes steps, including the provision of training courses and lectures, to promote in all its employees at all levels of the organizational hierarchy a heightened, comprehensive awareness of risk, including issues that do not relate directly to their specific area of work, and an appropriate culture of risk awareness. The efficacy of the risk management and controlling system is evaluated continually by the Internal Audit department.

■ Principle V: Reliable risk management

The consideration of relevant risks is an essential part of every business decision. All activities that are capable of giving rise to relevant risks for DAB bank, are managed by way of appropriate guidelines, and by limits, when the risk in question is quantifiable. Criteria, framework conditions and directives have been established for every risk category and must be followed on the operating level. These criteria, conditions and directives are meant to ensure that all risk-prone activities remain within the limits established by the management and regulatory authorities. The framework conditions and directives are continually reviewed and provided to employees in a suitable form.

■ Principle VI: Comprehensive risk and limit monitoring

A groupwide uniform system of limits has been established for all quantifiable risk categories and all business segments. This system also entails the measurement and continuous monitoring of risks also in consideration of diversification effects. Quantifiable risks are subject to maximum loss limits, which, by approval by the full Management Board, are incorporated into the economic risk absorption capacity calculation of DAB bank. The utilization of

this general limit for the given risk categories (risk capital) is checked against the equity components available for covering such risks (risk coverage assets) on a quarterly basis.

If and when such limits are exceeded, a strict, clearly defined system of escalation processes has been defined, so that limit violations can be promptly corrected or the limit in question adjusted.

Non-quantifiable risks are analyzed and continually monitored on the basis of various qualitative criteria. Furthermore, appropriate corrective action is taken if and when deficiencies are discovered in the risk management process.

- **Principle VII: Allocation of economic capital in conjunction with budgets and risk limits**

The allocation of capital to the different risk categories is based on the concept of economic risk capital and is closely tied in with the budgeting and limit-setting process. The risk capital is divided up among organizational units and risk categories. This process supports the goal of managing the company's business with reference to the agreed risk-return indicators, while also controlling the risk appetite of our bank. It is completely integrated with other managerial processes such as strategic planning, budgeting and income measurement.

- **Principle VIII: Risk communication and reporting**

Identified risks are openly and actively communicated to the applicable areas of responsibility. In addition, the management of DAB bank is given extensive, timely information about the company's risk profile in the various risk categories and about the company's profits and losses. Moreover, the Supervisory Board is provided with the information it needs to fulfill its oversight function in accordance with the requirements of law.

The internal risk reporting and communication activities are supplemented by external risk reporting to fulfill the regulatory requirements.

- **Principle IX: Implementation of an up-to-date, complete and secure risk information system**

The existing information paths assure the complete and timely flow of relevant and internally consistent risk information, which is an essential prerequisite for the appropriate management and supervision of risks within DAB bank.

- **Principle X: The entire risk process is supported by qualified experts**

The management is responsible for ensuring that the entire risk process is actively managed and supported by qualified experts at all times. The qualifications of the employees in question and the scope of support they provide are appropriate for the complexity and extent of the risks incurred.

- **Principle XI: Verifying the effectiveness of risk monitoring**

Appropriate and effective control mechanisms have been implemented for all key processes. These mechanisms are regularly checked and monitored by the employees who are directly or indirectly connected with the controls. The control mechanisms consist of directives and procedures for the identification, measurement, analysis and estimation of risks, and for active risk management, monitoring and reporting. In addition, the Internal Audit department, as a process-independent entity, certifies the suitability of the risk management and controlling system and verifies compliance with existing procedures. These measures serve to ensure the functionality and effectiveness of the entire risk management and controlling system, as well as related procedures.

■ Principle XII: Contingency planning

All areas of DAB bank are in possession of comprehensive emergency procedures, tailored to the needs of their respective business activities and tested in advance, to ensure the continuation of their business processes (contingency planning) and avert an interruption of normal business activities or to minimize any delays that may occur.

Structure of the risk management and monitoring system, responsible boards

Risk management

We understand risk management to mean the adoption and further development of the risk strategy of DAB bank, as well as the operational implementation of that strategy by the units of the company which carry risk, on the basis of the available risk coverage assets. The business divisions implement the defined risk strategy under their own accountability for results, by assuming risk in a targeted and controlled manner. To this end, DAB bank has instituted a comprehensive system of limits.

The Management Board of DAB bank is responsible for strategy development. It is the duty of the Management Board to define and establish the principles, directives, processes and responsibilities for the internal control system in such a way as to ensure that all business transactions are correctly recorded at all times and the system provides reliable, continuous information on the company's financial situation, for internal and external use. The risk policy of DAB bank is commensurate with the business objective of generating sustainable growth and enhancing the company's value. In this regard, we strive to avoid risks to the greatest possible extent. Because risk management is integrally linked with the strategy planning and execution process, our risk policy is dictated by the Management Board.

On an operational level, the risk strategy and related dictates of the Management Board are implemented in the various departments of the bank, and in the credit and investment committees.

For the most part, the organizational units responsible for risk management operate as profit centers. They are organizationally and functionally separate from the back-office departments (settlement, risk controlling and accounting) throughout the Group.

The credit risk strategy is operationally implemented in the operating units and by the Credit Committee. At DAB bank, loan exposures larger than €500 thousand are approved by the Credit Committee, which generally meets once a week. The Credit Committee currently consists of seven members, including the full Management Board. In accordance with the "Minimum Requirements" decreed by the German Financial Services Supervisory Office ("BaFin"), the committee is structured in such a way that the back-office loan approval instance cannot be overruled. To be approved, any loan exposure must be compatible with the credit risk strategy of DAB bank adopted by the senior management in consideration of the risk absorption capacity of the bank, based on their analysis of the situation from a business strategy viewpoint.

The trading strategy is operationally implemented in the operating units and by the Credit Committee. The Investment Committee bears the ultimate responsibility for shaping the trading and investment strategy. This committee is composed of the Management Board, the department head of Trading, Treasury and Products and the Trading Director. It usually meets once a month. In these meetings, the committee members evaluate the composition of the investment portfolio and the recent changes in value with reference to the defined targets, and make adjustments where necessary. The Investment Committee also discusses the development of net investment income (which is composed of the profit/loss from investments, the cost of deposits, and income from loans) as well as measures to influence the overall performance.

Risk controlling

At DAB bank, Risk Controlling is a central corporate department that is responsible for ensuring the transparency of the operating results and risks of DAB bank. In particular, Risk Controlling is responsible for identifying, analyzing, measuring, limiting and monitoring the risks of the bank, for keeping the Management Board informed of developments in this area, and for monitoring and updating the risk parameters and models. In addition, Risk Controlling is responsible Groupwide for defining, quantifying, aggregating and monitoring the components of risk capital and their utilization for risk purposes, and for implementing uniform Groupwide standards in consideration of the applicable legal and regulatory requirements.

Moreover, the Risk Controlling department is responsible Groupwide for keeping records of the risk categories of market risk, counterparty and issuer risk, operational risk and business risk, as well as non-quantifiable risks of DAB bank.

Risk Controlling is functionally and organizationally independent of Trading and reports directly to the Management Board.

Internal Audit

DAB bank has taken steps, within its organizational structure, to ensure the presence of effective internal controls. The internal control system consists of two instances, the process-dependent Internal Control System (ICS) and the process-independent Internal Audit department.

As an internal department that reports directly to the Management Board, Internal Audit monitors and evaluates the operational and business processes of DAB bank, the risk management and controlling function and the ICS. Internal Audit also provides advice and support in projects, without compromising its independence.

In accordance with the Minimum Requirements for the Organization of Internal Audit Departments of Banks (MAIR) decreed by the German Federal Financial Services Supervisory Authority, all operational and business processes, and the independent operating units of the DAB bank Group, are audited at appropriate intervals of time, but not less than once every three years. Any special risks are evaluated at least once a year. All the activities of Internal Audit are designed to prevent losses for the bank and its customers and to optimize the efficiency and profitability of business processes.

The targets of internal audits are determined on the basis of an audit plan that takes the risk content of the processes into account, as well as past audit results.

To allow for comprehensive monitoring of the entire Group, the Internal Audit departments of DAB bank and direktanlage.at AG operate under the operational authority of Internal Audit Germany.

Description of the risk management and controlling process

The graphic below illustrates the risk management and controlling process of DAB bank, which is basically applicable to all risk categories and all units of the Group.



The senior management and the Supervisory Board are responsible for adopting the strategy, the business goals and the risk policy of the bank.

The business strategy and risk policy of DAB bank aim to preserve an appropriate balance between risk and return. Consequently, the risk policy also governs the basic rules of interaction between the units operating in the market and the Risk Controlling department. To this extent, the risk policy governs the implementation of business goals in the operating units in consideration of the attendant risks. New risk drivers, products or markets, for example, are assessed and approved in adherence with a defined process. Final approval lies with the senior management.

Instilling and maintaining an appropriate risk culture is a prerequisite for the successful implementation of the business strategy and risk policy. The risk culture encompasses risk-adjusted resource allocation, the employee compensation system, the performance appraisal system, recruitment and hiring, employee development, internal communications and penalty mechanisms.

- Risk-adjusted resource allocation: To ensure an appropriate risk culture by conveying the same basic knowledge to all relevant employees, all new employees take part in an introductory presentation to acquaint them generally with the possible risks and dangers of the company's business. In addition, those employees who are involved in business conducted for the bank's own account remain in close contact with Risk Controlling and are regularly informed of possible risks.
- Employee compensation: As a basic rule, every employee receives a fixed annual component of salary, plus a variable component that depends on the employee's management responsibility or scope of duties.
- Performance appraisal system: As a basic rule, the performance of every employee is appraised by his or her direct superior. The Human Resources department is responsible for the performance appraisal system.
- Recruitment and hiring: As a basic rule, DAB bank publicly announces its open positions in order to fill them with the most highly qualified personnel. The requisite qualifications include both professional and interpersonal abilities.

- **Employee development:** Part of the performance appraisal process involves recognizing the employee's strengths and weaknesses, identifying appropriate actions and carrying them out. To this end, DAB bank utilizes in-house and outside seminars.
- **Internal communications:** The internal communication of risks is structured to ensure that problems can be recognized and appropriate actions taken by the responsible departments.

The risk management and controlling process of DAB bank is divided into the following steps, regardless of the risk category involved:

Risk identification

Risk identification entails the ongoing examination of risk sources and the classification of identified risks to the appropriate risk category (risk profile). New, previously unidentified risks can arise from changes in the operating environment or from the development and introduction of innovative new products or product/market combinations. Insofar as newly identified risks cannot be classified within the existing risk profile, the risk profile must be revised. In any case, the revision or extension of the risk profile must be communicated to all relevant departments, so that any necessary adjustments can be made to the risk management and controlling system.

Risk measurement

Risk measurement and analysis involves the quantitative and/or qualitative assessment of risks. The methods employed to assess risk are subject to Groupwide risk standards, in order to ensure consistency and suitability within the Group.

Risk limiting

The limitation of risk entails the necessity of developing appropriate systems and procedures to limit risks. In the case of quantifiable risks, numerical limits are established. Steps must be taken to ensure that all trades are charged immediately, and all lending transactions as soon as possible, but no later than the same day, against the relevant limits and that every trader or manager responsible for a "market" department is promptly informed of the limits and the current utilization amounts that are relevant to that area of business. In the case of non-quantifiable risk categories, the risk propensity is documented by way of appropriate explanations. In accordance with the regulatory Minimum Requirements applicable to the trading and lending activities of banks, all limits are determined by application of the risk absorption capacity methodology. The conformity of these limits with the bank's equity resources is assessed by way of uniform limit structures (broken down to the level of limits for individual risks).

Active risk management

As part of the risk management process, appropriate strategies are developed and decisions made to limit risks on the basis of the available risk information. Risk management can be either active or passive. Active risk management employs suitable risk limitation instruments (e.g., risk diversification, risk transfer, risk provisioning) to influence the risk-return ratio both at the level of specific transactions and at the portfolio level. The aim of passive risk management is to influence the root causes of risk, both at the level of individual transactions and at the portfolio level, by means of risk avoidance and minimization strategies (e.g., by limiting certain volumes and by setting more favorable terms for new business).

Risk monitoring

Risk monitoring entails the continuous monitoring of risk limits at all levels of quantitative risk, the periodic reassessment of the general risk profile and the qualitative monitoring of all risk categories. In the case of operational risks, the systems, processes, products and activities of the bank are periodically reviewed by the responsible managers to identify any potential risks in continuing operations.

Risk reporting

All relevant decision makers, i.e. Supervisory and Management Board members, department heads, corporate office directors and authority holders, are provided with risk-relevant information as promptly as possible. The risk reporting function required for this purpose covers regular reporting and ad hoc reports when the occasion or circumstances warrant. Besides internal reporting within DAB bank, the risk reporting function also encompasses reporting to regulatory authorities such as the German Federal Financial Services Supervisory Authority (BaFin), the regional offices of the German Bundesbank and the independent auditors.

The Management Board of DAB bank bears overall responsibility for the risk process described above. In addition, the Management Board has the responsibility of ensuring that the instruments required for effective risk monitoring, and especially an efficient reporting function with respect to the limit system, are made available, in accordance with economic efficiency considerations.

Whereas the senior management and the risk managers and controllers are directly integrated into the risk management and controlling process, the Internal Audit department monitors the entire process independently. This department verifies the adequacy and reliability of the risk process by means of audits conducted at regular intervals.

Definition of relevant risk categories

Relevant risk categories

DAB bank recognizes the following risk categories:

- Default risk
- Market price risk
- Operational risk
- Business risk
- Strategic risk
- Reputation risk
- Liquidity risk.

Other risk categories are not relevant to the business of DAB bank.

Default risk

Default risk refers to the risk of value losses resulting from the default or credit rating deterioration of customers. For DAB bank, default risk encompasses traditional credit risk, issuer and counterparty risk and country risk.

Credit risk refers to possible value losses in the commercial lending business. This risk is accounted for by means of establishing provisions for possible losses.

Issuer risk refers to the risk of value losses of securities or the non-fulfillment of obligations derived from securities due to the default or credit rating deterioration of the issuer.

Counterparty risk encompasses settlement risk and replacement risk. Settlement risk is inherent in the possibility that a counterparty would fail to fulfill its delivery or payment obligations after the bank has rendered its corresponding performance. Replacement risk is inherent in all transactions for which the trade date is different from the settlement date. In such cases, the bank runs the risk that it would have to replace a given position at possibly less favorable terms in the market as a result of non-fulfillment by the counterparty.

Country risk refers to the risk that claims arising from cross-border transactions or transactions in foreign currency would not be satisfied, or not on the due date, as a result of politically or economically induced actions by a sovereign state. Country risk comprises transfer and conversion risks.

Market price risk

The market price risk refers to the risk of value losses resulting from changes in market prices or in the parameters influencing the prices of our positions. At DAB bank, market risk comprises interest rate risk, share price risk and foreign exchange risk.

At DAB bank, market price risk is identified, managed and monitored on a Groupwide basis.

Operational risk

Operational risks refer to the risk of losses resulting from defective internal or external processes, human error, technology failure or external events. This definition also includes legal risks.

Business risk

Business risk refers to the possible negative discrepancy between the actual value of a company and the expected value due to unforeseen changes in business volumes and/or margins. Business risks can develop in particular from substantially worsened market conditions, changes in the company's relative competitive strength or customer behavior, as well as changes in the applicable legal framework.

Strategic risk

Strategic risk issues from the possibility that the senior management would fail to recognize or correctly assess important developments and trends in the banking sector. In such an event, the senior management could possibly make fundamental business decisions that later prove to be ill-advised, with regard to the company's ability to achieve its long-term business objectives, and may also be very difficult to reverse after the fact.

Business risk, understood as the risk of discrepancies between the actual earnings performance and the anticipated trend of earnings, can be regarded as a special case of strategic risk.

Reputation risk

Reputation risk refers to the possibility that public confidence in the integrity of a given institution could be impaired as a result of negative publicity concerning the business conduct and relationships of the bank, whether accurate or not.

Liquidity risk

Liquidity risk comprises corporate liquidity risk and market liquidity risk.

Corporate liquidity risk refers to the risk of liquidity management that the bank would have to settle for higher funding rates (to the point of illiquidity) or lower rates of return on investments than the standard rates (market rate +/- spread).

Market liquidity risk refers to the risk that the bank would not be able to liquidate its position in a given product in a given period of time without accepting a significant change in the value of that position.

Methods of risk management

The comprehensive and correct identification and assessment of risks forms the basis for managing the risks to which DAB bank is exposed. Quantitative and qualitative methods are employed to ensure the adequate, complete and consistent determination of the risk profile of DAB bank.

The methods employed by DAB bank to identify, measure and analyze risks are compatible with the Groupwide standards of HVB Group in order to ensure the adequacy and consistency of the methods employed both by DAB bank AG and the DAB bank Group:

- Risk limits are set with reference to loss potential to the greatest degree possible.
- Anticipated losses and the risk of unforeseen losses are determined with the aid of statistical methods, which are continually updated.
- The validity of all the statistical methods used is permanently verified by means of back-testing procedures.
- Risk Management and Risk Controlling work together, each contributing its specialized knowledge to the development and refinement of appropriate bankwide standards for the quantification of risks.

Non-quantifiable risks are analyzed with the aid of various qualitative criteria, which are selected and closely monitored by application of rigorous procedures.

DAB bank employs a Value-at-Risk (VaR) approach to measure all risk categories with the exception of liquidity risk (which is managed as a strict prerequisite), strategic risk (for which purpose the business risk is measured) and reputation risk. Under the VaR approach, potential future losses are measured Groupwide on the basis of a consistently defined holding period of one year and a confidence level of 99.95%. In aggregating such risks, risk-mitigating factors, which may include correlations within the specific risk categories and also correlations among different risk categories, are taken into account. Risk coverage assets at least equal to the calculated total risk capital requirement must be kept on hand.

Liquidity risk, strategic risk and reputation risk are not assessed by application of statistical probability techniques. The instruments employed to measure these risks are described below in the sections relating to each risk.

Further development of the risk monitoring and management system

The bank's risk measurement and monitoring methods are subject to constant further development and improvement. These efforts are dictated both by the high standards we set for ourselves and by the heightened legal and especially regulatory requirements.

Risk capital management

Economic capital adequacy and risk absorption capacity

The goal of risk capital management is to optimize the allocation of available capital on the basis of risk-return considerations and to assure the risk absorption capacity of DAB bank at all times.

We define risk coverage assets to mean those resources stated on the equity and liabilities side of the balance sheet which are available for the purpose of covering any losses that arise on a short-term basis. At year-end 2005, the risk coverage assets of DAB AG amounted to €152.8 million (2004: €149.1 million). In consideration of an aggregated risk capital of €62.4 million, the rate of utilization of the risk coverage assets of DAB AG is 40.8%. At year-end 2005, the risk coverage assets of direktanlage.at amounted to €15.2 million (2004: €11.9 million). In consideration of an aggregated risk capital of €9.4 million, the rate of utilization of the risk coverage assets of direktanlage.at is 61.8%.

The risk capital required in the future for each business segment is determined in connection with the annual budgeting process, in consideration of the risk coverage assets, the identified risk potential and the currently applicable risk policy, in close cooperation with the Risk Controlling department and the business units, and is approved by the Management Board. The risk capital indicators are incorporated into the management and reporting instruments of the bank. A budget-actual comparison is generated and reported to the Management Board on a quarterly basis.

The aggregated risk capital is subjected to a risk absorption capacity analysis in which it is compared with the available risk coverage assets, also in consideration of diversification effects, on a quarterly basis.

The risk potential and utilization of defined limits for each Group company at December 31, 2005, are presented in the following table:

in €mn	Risk capital	Risk capital requirement	Utilization	Risk capital	Risk capital requirement	Utilization
	12/31/05	12/31/05		12/31/04	12/31/04	
Market risk						
thereof Germany	33.2	19.7	59%	22.5	9.6	43%
thereof Austria	5.0	4.9	98%	2.9	2.2	73%
Default risk						
thereof Germany	15.5	9.2	59%	15.5	6.9	45%
thereof Austria	1.5	1.2	80%	3.0	2.2	76%
Business risk						
thereof Germany	42.5	17.6	41%	42.5	22.9	54%
thereof Austria	3.5	2.1	59%	4.0	3.1	78%
Operational risk						
thereof Germany	32.0	15.9	50%	32.0	15.6	49%
thereof Austria	2.5	2.3	92%	2.6	2.5	96%

Capital-based performance indicators

By means of active capital management, DAB bank seeks to optimize the risk-return profile of the Group. The goal is to achieve a return on equity before taxes of 30% in the year 2007.

To this end, we evaluate each Group company with regard to its profit contribution and its risk contribution. For this purpose, Risk Controlling measures the relative share of each company in the aggregated risk of the Group. Currently, risk is measured in the form of risk assets. In the next stage of development, regulatory capital according to the Basel II capital adequacy requirements will be used and in the final stage of development the economic

risk capital will be used. Equity capital is allocated to each Group company on the basis of that company's relative share of the Group's overall risk. Risk Controlling conducts these analyses on a quarterly basis and prepares the results for presentation to the Management Board.

Risk categories

Default risk

Risk management

Default risk is managed on the basis of an integrated system of clearly defined principles, authority structures and risk assessment methods.

With regard to credit risk, the operational and disciplinary separation of Sales (= market) and Credit (= back office) is organizationally assured on all levels of the credit-extending units of DAB bank. Because of this separation and by virtue of our in-depth knowledge of the sectors and countries in which we operate and the products we deal in, the high quality of credit decisions – and consequently the decisions concerning the assumption of risk – is assured at all times.

Counterparty and issuer risks emanate exclusively from our trading activities. Accordingly, counterparty risk is managed in the Trading Treasury and Products and Trading B2B departments.

The country risks to which DAB bank is exposed are relatively insignificant. Minor country risks exist with regard to both our lending activities and our trading activities. These risks are managed by the persons responsible for the corresponding portfolios.

Risk monitoring

We employ both quantitative indicators and qualitative criteria for the purpose of identifying credit risk.

The default risks arising from trading activities (counterparty, issuer and country risks) are managed by means of a uniform limit system, which is designed to limit the potential losses associated with the default risk of our trading activities. The risk limits are approved every year by the Management Board and may not be exceeded.

In its limit system, DAB bank always makes a distinction between the following kinds of default risks:

- Credit value-at-risk limits, which are determined on the basis of the risk absorption capacity of DAB bank. The default risk exposure for which these limits are defined is quantified on a quarterly basis with the aid of the HVB portfolio model. Reports on the utilization of these limits are also generated on a quarterly basis.
- Volume or risk-equivalent limits, which are defined for issuers, counterparties and countries; the exposure associated with issuer and counterparty risks is calculated every banking day, the exposure associated with country risks once a month. Reports on the limits and the utilization rates of these limits are generated on a monthly basis.

When individual counterparty and issuer limits appear to have been exceeded, an escalation process is triggered immediately and the steps taken to reduce the affected positions to a level within the defined limits are monitored.

The senior management is informed of the situation of counterparty, issuer and country risks and the utilization of the limits established for these risks on a monthly basis.

For the purpose of risk measurement and management, counterparty, issuer and country risks are quantified per risk category and product type with the aid of market values, notional values or flat-rate values.

As part of the default risk monitoring process, the credit VaR is determined on a quarterly basis. The credit VaR is an indication of the greatest negative deviation between the actual loss and the anticipated loss which will not be exceeded, with a probability of 99.95%, within the next twelve months. We employ a default risk model developed by our parent company to calculate the credit VaR.

Situation of default risks in 2005

The default risks inherent in the positions maintained for our customers and for our own account at December 31, 2005 are presented in the table below on an aggregated basis:

Default risk		
in €mn	12/31/2005	12/31/2004
Germany		
Credit VaR	9.2	6.9
Limit	15.5	15.5
Utilization	59%	45%
Austria		
Credit VaR	1.2	2.2
Limit	1.5	3.0
Utilization	80%	73%

The following tables provide detailed information on the notional and market values of all the derivative positions of DAB bank.

Derivative instruments at 12/31/2005

in k€	Residual Term				Default risk	Market Values
	Up to 1 year	1 to 5 years	> 5 years	Total		
Interest-based derivatives	-	1,116	21,293	22,408	354	-
OTC products						-
Exchange-traded						
Interest futures	-	1,116	12,520	13,636	260	-
Options on interest futures	-	-	8,772	8,772	93	-
Currency-based derivatives	442,135	38,803	-	480,938	15,763	-
OTC products						
Currency futures	442,135	38,803	-	480,938	15,763	-
Currency options	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-
- Sales	-	-	-	-	-	-
Other currency contracts	-	-	-	-	-	-
Exchange-traded instruments						
Currency futures	-	-	-	-	-	-
Currency options	-	-	-	-	-	-
Stock/index-based instruments	154,563	4,595	-	159,407	8,506	-
OTC products						
Stock/index swaps	-	-	-	-	-	-
Stock/index options	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-
- Sales	-	-	-	-	-	-
Other stock /index contracts	-	-	-	-	-	-
Exchange-traded instruments						
Stock/index futures	7,045	-	-	7,045	500	-
Stock/index options	147,768	4,595	-	152,362	8,006	-
Total:	596,947	44,513	21,293	662,754	24,622	-

Counterparty types

in k€	Notional amount		Default risk	
	2005	2004	2005	2004
OECD banks	331,377	246,183	3,910	1,754
Other institutions and private individuals	331,377	246,183	20,712	9,347
Total	662,754	492,366	24,622	11,101

Market price risk

Risk management

The Trading Treasury and Products department is responsible for managing the market risk of DAB bank. The market risk of direktanlage.at is managed on a decentralized basis. Every relevant unit is responsible for implementing the market price risk strategy adopted by the Management Board, with consideration given to the regulatory requirements and the internally defined market risk processes of the bank.

With regard to market risk, the risk management and supervision functions are functionally and organizationally separate on all levels.

Risk supervision

The risk positions in the investment and trading book are monitored by way of a consistent limit system, which limits the potential losses associated with market risks. The risk limits are approved by the Management Board every year and may not be exceeded.

When the limits appear to have been exceeded in subportfolios, an escalation process is triggered immediately and the steps taken to reduce the affected positions to a level within the limits are closely monitored. No limits were exceeded to a significant degree in 2005. The market risk controlling func-

tion has direct access at all times to the front-office systems used in Trading and can therefore monitor the risk situation and limit compliance on an intra-day basis, when needed.

The Management Board is informed of the development of market risk, limit utilization rates and any profits and losses on a daily basis. The results of risk analyses, including back-testing and stress testing, are communicated to the Management Board on a monthly basis.

For the purpose of daily risk measurement and management, the value-at-risk is calculated on the basis of a confidence level of 99% and a holding period of one day. For calculating and allocating the risk capital requirement for market risks, the value-at-risk so calculated is scaled by extrapolation to a confidence level of 99.95% and a holding period of one year, with consideration given to all portfolio effects, to make this indicator comparable with those determined for the other risk categories.

For calculating the value-at-risk for the interest rate and share price risk of the parent company DAB bank AG, we employ a modern historical simulation technique. The adequacy of this risk measurement method is verified by regular back-testing, by which the calculated value-at-risk figures are checked against the market value changes calculated on the basis of the corresponding positions. The results of back-testing have confirmed the high quality of our risk model.

To calculate the foreign exchange risk and the interest rate and share price risks of our subsidiary, we employ a statistical method that is based on various conservative assumptions (including, among others, separate analysis of each currency and the non-application of risk-mitigating correlation effects).

Our value-at-risk calculations are supplemented by regular stress tests, which indicate the loss potential of our market risk positions in response to extreme market price movements and extraordinary events. The scenarios applied in

the stress tests range from simple interest rate shocks to the complete breakdown of all correlations.

Situation of market risk in 2005

The market risks inherent in the own-accounting trading positions of DAB bank at December 31, 2005 are presented in the following table on an aggregated basis.

Market risk		
in €mn	12/31/2005	12/31/2004
Germany		
Total VaR	19.7	9.6
Limit	33.2	22.5
Utilization	59%	43%
Interest rate risk	10.7	3.9
Limit	17.4	7.5
Utilization	62%	52%
Stock risk	8.2	0.7
Limit	12.7	3.0
Utilization	65%	23%
FX risk	0.7	0.1
Limit	3.2	0.8
Utilization	22%	13%
Austria		
Total VaR	4.9	2.2
Limit	5.0	2.9
Utilization	98%	76%

Operational risk

Risk management

Managing operational risk is the responsibility of the individual business segments or service departments. To aid in this process, an internally defined, tool-supported operational risk management process was introduced in 2005.

This process also satisfies the Basel II requirements, including in particular the "Sound Practices for the Management und Supervision of Operational Risk."

Risk supervision

Risk Controlling informs the Management Board continually of the development of identified major operational risks and the extent of losses that have occurred as part of a regular reporting process. This information forms the basis for decisions concerning possible corrective measures.

We employ the standard method defined by the regulatory authority to measure our operational risk.

Situation of operational risk in 2005

The operational risks of DAB bank at December 31, 2005 are presented in the table below on an aggregated basis.

Operational risk		
in €mn	12/31/2005	12/31/2004
Germany		
Risk	15.9	15.6
Limit	32.0	32.0
Utilization	50%	49%
Austria		
Risk	2.3	2.5
Limit	2.5	3.0
Utilization	92%	96%

Business risk

Risk management

The operational management of business risk falls under the general responsibility for income and cost management and is therefore the responsibility of the individual cost center managers.

Risk supervision

Business risks are measured and subjected to plausibility analysis by the Risk Controlling department.

The business risk is likewise measured on the basis of a value-at-risk approach. For this purpose, income and cost volatilities are measured on the level of the operating units and then condensed, with consideration given to correlation effects, to arrive at a value-at-risk, which represents the potential changes in the value of the company that are associated with business risks.

The risk measurement results are reported to the Management Board on a regular basis.

Situation of business risk in 2005

The business risks of DAB bank at December 31, 2005, are presented in the following table on an aggregated basis.

Business risk		
in €mn	12/31/2005	12/31/2004
Germany		
Risk	17.6	22.9
Limit	42.5	42.5
Utilization	41%	54%
Austria		
Risk	2.1	3.1
Limit	3.5	4.0
Utilization	58%	78%

Besides the continued practice of strict cost management, we also took steps to increase the bank's income-generating capacity in 2005.

Other risks

Risk management

Other risks refer to non-quantifiable risks such as strategic risk, reputation risk and liquidity risk. Managing the strategic risks and reputation risks of DAB bank is part of the general management responsibility of the Management Board. Liquidity risks are managed on a decentralized basis by the Trading, Treasury and Products department.

Risk supervision

At DAB bank, these risks are measured primarily by means of qualitative methods. For this purpose, the national and international environment is closely monitored and the company's strategic positioning is assessed on a continuous basis.

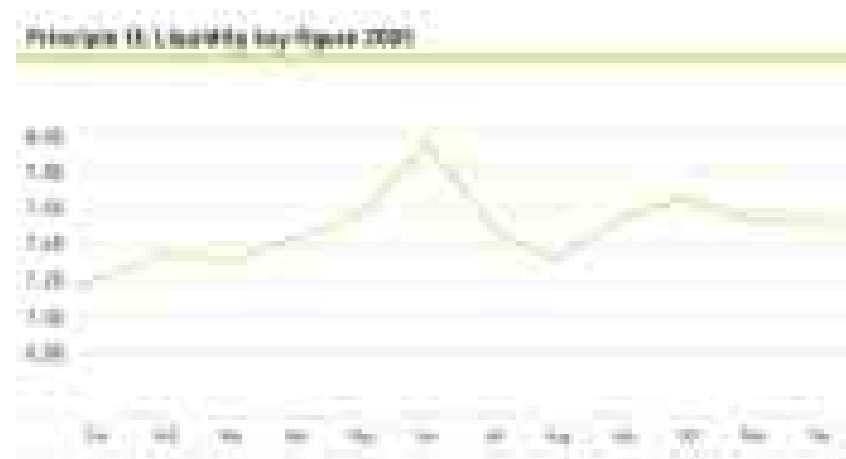
The Management Board regularly assesses the bank's adopted strategy as part of the long-term planning process. If necessary, the business model or business processes can be adjusted in response to changes in the basic operating environment. In developing such strategic initiatives, the Management Board actively consults the Supervisory Board.

The reputation management of DAB bank is likewise the responsibility of the Management Board. For this purpose, modern communications research methods (such as media resonance analysis, for example) are used to identify potentially sensitive issues, estimate the possible impact of such issues and take early steps, in the form of communication activities, to influence their development.

Liquidity risk is managed with reference to the regulatory ratio known as Principle II, which is calculated and monitored on an intra-month basis.

Situation of other risks in 2005

From the start of last year, the Principle II ratio for Maturity Range I that is used to ensure the solvency of the bank at all times was higher than 6, and thus considerably higher than the minimum value of 1, which if not met would have to be reported to the regulatory authority. At year-end 2005, this ratio came to 7.54, unchanged from the preceding month.



Risk situation and growth opportunities

The careful management of opportunities and risks is a critical success factor of any enterprise. In the case of DAB bank, our success depends largely on the management of business risks and operational risks.

In 2006, we will continue to focus our attention primarily on business risks and operational risks. Based on annual budget values, we are anticipating that the general banking risk of DAB bank will increase in the coming year, especially as a result of the heightened volume of customer deposits and the introduction of new products in our lending and trading operations. The increased level of risk is compatible with our strategy of profitable growth.

>> Forecast Report

The global economy will experience robust growth in 2006, driven in particular by the strong economies of the United States, China and the emerging economies of Asia. Although the economies of Central and Eastern Europe will see high rates of growth, due mainly to the convergence process, they are too small as a region to take over the role of a global growth locomotive. For the medium-term future, the global economy is expected to grow at an average rate of slightly more than 3% per year. The dependence of the world economy on only one or two economic growth drivers continues to be a latent risk in 2006, which could have a significant effect on the global economy.

Experts are cautiously optimistic about the economic prospects for the European Monetary Union and Germany in 2006. Positive economic signs began to show up especially in the second half of 2005. Current forecasts show this trend continuing to strengthen and stabilize in 2006. Economic growth will be paced primarily by rising exports and higher consumer spending in the wake of increased business investment. Exports will continue to lead the economy in Germany, in particular. At the same time, domestic demand is expected to increase, due at least in part to the "mini-boom" of the upcoming World Soccer Cup. However, these positive factors will not have a noticeable effect on the labor markets. As a result of the cost-cutting programs undertaken in recent years, many companies are capable of satisfying increased demand without hiring new workers.

The mostly successful IPOs conducted in 2005 have improved the ability of many companies to tap the capital markets. This trend is expected to continue and intensify in 2006.

Significant risks that could have a negative impact on economic growth include the persistently high prices for crude oil and other commodities and flagging domestic demand. We continue to anticipate stable growth rates in Austria, higher on average than the other EU countries.

DAB bank intends to continue expanding its business in 2006. Key factors affecting the bank's business performance are the following:

- Developments in the stock market, trading volumes
- Interest rates
- Development of customer assets
- Customer growth
- Market consolidation

Developments in the stock market, trading volumes

Positive developments in the stock markets influence our business in various ways. Rising share prices lead to higher trading volumes and increase the value of customer assets in our securities accounts. Another factor of key importance for our business is the volatility of the markets and of individual stocks. Little movement in the key indexes tends to reduce investors' interest because the prospects for rising share prices and profits would appear to be dim. On the other hand, high volatility, whether up or down, tends to stimulate increased trading activity. In turn, the incidence of trading activity, by both existing customers and new customers, is the single most important factor affecting the bank's net commission income.

Interest rates

Interest rate changes also impact the bank's business in various ways. Rising interest rates automatically increase our funding and capital costs, but also offer the possibility of widening our margins through interest rate adjustments. The effect of rising interest rates on customer behavior varies according to the situation. Although deposits become attractive to customers due to the higher base rate of interest, loans become more expensive, dampening this business. Falling interest rates have the opposite effect.

Volume of customer assets

The volume of customer assets is influenced by two key factors. First, positive stock market and share price trends tend to boost the volume of customer assets. Second, a positive market environment makes investment more attractive, leading to higher cash inflows. The commissions generated in existing and new securities accounts have a direct impact on the earnings performance of DAB bank.

Customer growth

A continuously growing customer base is vitally important for successful business growth. More customers means more business, both with regard to trading activity and with regard to cash inflows, which naturally has the effect of increasing the company's profits. DAB's expanded offering of products and services means that the bank can benefit from this trend in two ways: in the core business of brokerage services and in proactive sales.

Market consolidation

The stock markets having been down for years, the market now finds itself in a consolidation phase. The further development of DAB bank's original business model has put the bank in an excellent position to play an active role in the upcoming consolidation process. The best example of this is the acquisition of FondsServiceBank.

Outlook for 2006

We are aiming to increase the consolidated pretax profit by around 40% to €33 million in fiscal year 2006. With regard to this goal, we are operating on the assumption that the stock market environment will continue to be friendly. We expect to increase not only the net commission income, but also the net interest income, based on the projected trend of interest rates.

In the past 18 months, we have modernized the infrastructure of DAB bank and prepared the bank for future challenges by implementing an extensive package of projects and measures. We anticipate that when the integration of FondsServiceBank is completed in the first half of 2006, we will be through with all major projects. We have created a sound basis for profitable growth in all our business segments.

Furthermore, we intend to further improve the profitability of DAB bank substantially. Specifically, we are aiming to lower the cost-income ratio to less than 80% in 2006.

Besides expanding our customer base, we also intend to place particular emphasis in 2006 on exploiting the potential of our existing customers. We see considerable growth potential in this approach, based on the needs of these customers and our positioning as an independent provider of innovative financial services. We anticipate that we can increase the Groupwide volume of customer assets to approximately €28 billion.

1. Increase the consolidated pretax profit by around 40% to €33 million (compared to 2005)
2. Lower the cost-income ratio by 5% to less than 80%
3. Increase the volume of customer assets to €28 billion

Net commission income

The number of trades executed for accounts of our customers, particularly in the B2C segment in Germany, is a key growth driver for commission income. An increase in customer trading activity is contingent on a positive stock market environment with a high level of volatility. This growth will be additionally supported by our sales activities.

Net financial income

In 2005, the European Central Bank reversed the trend of interest rates by making a first upward adjustment. We anticipate continued moderate interest rate increases in 2006. Assuming that the volume of customer assets in deposit accounts remains stable, we anticipate an improved net interest income for 2006. If, on the other hand, interest rates develop in a different manner than we have anticipated, particularly with regard to the timing of interest rate adjustments, such a development will pose a risk to our earnings performance. We expect that the rate of increase in provisions for possible losses will be less than the rate of business growth.

Administrative expenses

We intend to adjust our administrative expenses to reflect the higher income expectations. Nonetheless, we expect that the rate of increase in the administrative expenses will be substantially less than the rate of business growth. By means of active and flexible cost management, we intend to ensure the bank's ability, within certain limits, to absorb the effect of worsening market conditions before they impact the bottom line.

Outlook for subsequent years

Based on the current state of knowledge, we anticipate the market will be in a phase of consolidation in 2007. Overall, global economic growth can be expected to diminish somewhat. As economic growth flattens out in the United States and China, we anticipate continued positive economic growth in Europe. The German Institute for Economic Research ("DIW") anticipates that real global GDP will expand in 2007 at a rate similar to 2006 (approximately 2.75%).

In the securities markets, the trend of dynamic increases could possibly be followed by a consolidation phase if economic growth, particularly in the United States and China, falls short of expectations.

Based on the current state of knowledge, we assess the growth potential for Germany as being somewhat lower in 2007 than in 2006. The DIW is predicting an annual growth rate of 1.2% for 2007, after 1.7% in 2006. This slight decrease will be influenced predominantly by an anticipation effect boosting consumer spending in advance of the announced increase in sales taxes. The measures contained in the coalition agreement of the parties in control of the German parliament are designed to keep the government spending on all levels of German government under the limit established in the EC treaty in 2007 and to reduce the deficit significantly. The DIW also predicts that German exports will continue to benefit from the growth of the global economy and the favorable outlook for price competitiveness of German suppliers. Rising exports can also be expected to stimulate business investment.

In recognition of the cautious outlook for the economic environment, we are optimistic about our chances for success in 2007. Our business objectives for subsequent years are based on the following assumptions:

- Sustainability of the DAB bank business model
By virtue of qualitative growth and the increase to more than 50% in the volume of business conducted in areas that do not depend on stock market trends, our business model is apt to be successful even when the stock markets are not so dynamic.
- Market volatility
The investment behavior of customers does not correlate exactly with the development of the stock market. Our business model is based on the assumption of volatility in the stock markets, regardless of their actual performance in absolute numerical terms.
- Significant increase in private assets
The significant growth of private household assets is a key success factor for our business model. In the B2B segment, the percentage of assets administered by independent advisors is on the increase. We intend to benefit more than the market from these trends.
- Trend toward private retirement planning
In our customers, we see an uninterrupted trend toward private retirement planning. Our product offering is designed to satisfy this
- Trend toward reallocation of portfolio assets
We see additional growth stimulus in the trend of individual investors to reallocate their portfolios, with fewer individual securities and more structured products and funds. We stand to benefit more than the market from this trend by virtue of our strategic positioning and our in-depth expertise in the area of investment funds and certificates.

We will continue to actively exploit all opportunities for growth and to further improve the bank's return on equity before taxes (RoE target). We are sticking by our goal of generating a 30% return on equity before taxes for 2007.

Independent of global economic trends, which are difficult to predict so far in advance, the assessments and assumptions concerning the market environment in 2007 can be expected to apply in the following year as well.

Consolidated income statement (IFRS)
For the period
January 1 to December 31, 2005

in k€	Notes	Quarterly Report 10/01/2005- 12/31/2005	Quarterly Report 10/01/2004- 12/31/2004	Full Year 10/01/2005- 12/31/2005	Full Year 10/01/2004- 12/31/2004
Interest Income	21	18,497	15,771	76,871	75,401
Interest expenses	21	9,222	7,769	36,289	30,324
Net interest income	21	9,275	8,002	40,582	45,077
Provisions for possible losses	22	-227	-1,312	-115	-1,137
Net interest income after provisions for possible losses		9,502	9,314	40,697	46,214
Commission income	23	55,155	24,578	156,650	98,221
Commission expenses	23	23,567	6,610	56,526	26,403
Net commission income	23	31,588	17,968	100,124	71,818
Trading profit/loss	24	1,195	419	2,662	1,288
Profit/loss from investments	25	-5,013	-389	-12,303	-12,748
Personnel expenses	26	10,146	8,196	37,523	29,658
Other administrative expenses	26	18,737	15,136	70,539	59,174
Depreciation/amortization of property, plant & equipment and intangible assets	26	-473	2,101	8,704	7,298
Administrative expenses	26	28,410	25,433	116,766	96,130
Restructuring / integration expense	27	-	-	3,400	-
Net other operating income/expenses	28	-1,184	2,466	4,525	7,157
Amortization (and impairment) of goodwill	29	-	368	-	1,472
Net other income/expenses	30	381	-3	8,352	-12
Result before taxes		8,059	3,974	23,891	16,115
Income taxes	31	1,323	-10,361	4,623	-8,634
Net profit/loss		6,736	14,335	19,268	24,749
Allocation of net profit/loss to retained earnings		5,734	13,471	5,734	13,471
Consolidated net profit/loss	32	1,002	864	13,534	11,278
Earnings per share (basic)	33	0.09	0.19	0.26	0.33
Earnings per share (diluted)	33	-	0.19	-	0.33
Weighted average shares outstanding (basic)		75,187,007	75,187,007	75,187,007	75,187,007
Weighted average shares outstanding (diluted)		75,187,007	75,212,075	75,187,007	75,229,131

Assets

in k€	Notes	Annual Report 12/31/2005	Annual Report 12/31/2004
Cash reserve	35	46,122	34,163
Receivables from banks	8, 36	381,322	418,143
Receivables from customer	8, 37	473,917	428,773
Provisions for possible losses	9, 38	-3,327	-3,997
Trading assets	10, 39	39,682	46,587
Financial assets	11, 40	1,432,326	1,119,571
Property, plant and equipment	12, 41	4,760	5,376
Intangible assets	14, 42	61,586	44,882
Income tax assets	20, 43	37,822	50,084
Other assets	44	36,334	24,951
Total assets		2,510,544	2,168,533

Consolidated balance sheet (IFRS)

at December 31, 2005

Liabilities

in k€	Notes	Annual Report 12/31/2005	Annual Report 12/31/2004
Liabilities to banks	15, 45	102,252	77,900
Liabilities to customer	15, 46	2,156,095	1,831,627
Trading liabilities	16, 47	14,758	41,872
Provisions	17, 48	8,073	8,788
Income tax liabilities	20, 49	9,986	17,543
Other liabilities	18, 50	39,762	20,439
Subordinated capital	19, 51	10,002	8,154
Liabilities		2,340,928	2,006,323
Subscribed capital	52	75,187	75,187
Additional paid-in capital		59,769	59,769
Retained earnings		21,320	15,584
Accumulated other comprehensive income/loss		-194	392
Consolidated net profit/loss		13,534	11,278
Shareholders' equity		169,616	162,210
Total liabilities and shareholders' equity		2,510,544	2,168,533

Consolidated statements of changes in equity (IFRS)

For the period
January 1 to December 31, 2005

in k€	Subscribed Capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income/loss	Consolidated net profit/loss	Shareholders' equity
At 01/01/2004	75,187	59,769	1,927*	-388	-	136,495
Changes in measured value of financial instruments not recognized in the income statement	-	-	-	392	-	392
Changes in measured value of financial instruments recognized in the income statement	-	-	-	388	-	388
Change due to net profit/loss for the year	-	-	13,471	-	11,278	24,749
Distribution of DAB bank AG	-	-	-	-	-	-
Changes resulting from foreign currency effects and other changes	-	-	186	-	-	186
At 12/31/2004	75,187	59,769	15,584	392	11,278	162,210
At 01/01/2005	75,187	59,769	15,584	392	11,278	162,210
Changes in measured value of financial instruments not recognized in the income statement	-	-	-	-586	-	-586
Changes in measured value of financial instruments recognized in the income statement	-	-	-	-	-	-
Change due to net profit/loss for the year	-	-	5,734	-	13,534	19,268
Distribution of DAB bank AG	-	-	-	-	-11,278	-11,278
Changes resulting from foreign currency effects and other changes	-	-	2	-	-	2
At 12/31/2005	75,187	59,769	21,320	-194	13,534	169,616

* In accordance with IAS 8.42, we have offset income tax provisions in the amount of €1,878 thousand allocated to fiscal 2003 against retained earnings with no effect on net income. The prior year value of the retained earnings actually shown as of January 1, 2004, amounted to a total of €49 thousand.

in k€	2005	2004
Cash flow from operating activities		
Net profit/loss for the year*	10,903	24,749
Writedowns, valuation adjustments and writeups of receivables	-88	-1,131
Depreciation and writeups of non-current assets	8,704	12,030
Changes in other non-cash items	3,787	-12,774
Profit/losses on sales of non-current assets	12,303	12,748
Other adjustments	-38,337	-43,080
Subtotal	-2,728	-7,458
Changes in operating assets and liabilities, adjusted for non-cash transactions		
Receivables from banks	44,424	-105,113
Receivables from customers	-45,726	-43,694
Trading assets	6,905	-14,529
Other assets from operating activities	-12,634	-2,789
Liabilities to banks	24,352	-48,589
Liabilities to customers	324,468	122,707
Trading liabilities	-27,114	13,163
Other liabilities from operating activities	14,211	-4,556
Income taxes paid	-2,245	-1,997
Interest & dividends received	76,871	75,401
Interest paid	-36,289	-30,324
Cash provided by/used in operating activities	364,495	-47,778
Cash flow from investing activities		
Cash receipts from sales of non-current assets	719	94,850
Cash payments for acquisition of non-current assets	-343,109	-31,884
Effects from corporate merger	-132	-5,273
Cash used in investing activities	-342,522	57,693
Cash flow from financing activities		
Cash receipts from increases in 3rd tier capital	1,848	2,000
Dividend payments	-11,278	-
Change in cash from other financing activities	-584	966
Cash provided by/used in financing activities	-10,014	2,966
Foreign exchange-induced changes in cash and cash equivalents	-	-
Increase/decrease in cash and cash equivalents	11,959	12,881
Cash and Cash equivalents at January 1	34,163	21,282
Cash and cash equivalents at December 31	46,122	34,163

Consolidated cash flow statement

For the period
January 1 to December 31, 2005

Further details on the consolidated cash flow statement are given in Note no. 57.

* In conformity with the requirements of IAS 7, we are showing the net income for the year 2005 without the difference from the acquisition of FondsServiceBank that was posted on the liabilities side, affecting net income.

>> **Notes to the consolidated financial statements**

EXEMPTING CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS 68

ACCOUNTING AND VALUATION METHODS 69

>> 1 Uniform Groupwide accounting principles 69

>> 2 Continuity 69

>> 3 Changes in recognition, measurement and presentation methods 69

>> 4 Consolidation group 69

>> 5 Consolidation principles 70

>> 6 Currency translation 70

>> 7 Financial instruments 70

>> 8 Receivables 71

>> 9 Provisions for possible losses 71

>> 10 Trading assets 72

>> 11 Financial assets 72

>> 12 Property and equipment 72

>> 13 Leasing 72

>> 14 Intangible assets 72

>> 15 Liabilities 73

>> 16 Trading liabilities 73

>> 17 Provisions for possible losses 73

>> 18 Other liabilities 73

>> 19 Income taxes 73

>> 20 Management's Exercise of Discretionary Rights 73

NOTES TO THE INCOME STATEMENT 74

>> 21 Net interest income 74

>> 22 Provisions for possible losses 74

>> 23 Net commission income 74

>> 24 Trading profit/loss 74

>> 25 Profit/Loss from Investments 75

>> 26 Administrative expenses 75

>> 27 Restructuring/integration expenses 75

>> 28 Other operating income/expenses 75

>> 29 Amortization of goodwill 75

>> 30 Net other operating income/expenses 76

>> 31 Income taxes 76

>> 32 Appropriation of net profit (as per HGB/AktG) 77

>> 33 Earnings per share 77

>> 34 Value-added statement 77

NOTES TO THE BALANCE SHEET 78

>> 35 Cash reserve 78

>> 36 Receivables from banks 78

>> 37 Receivables from customers 78

>> 38 Provisions for possible losses 79

>> 39 Trading assets 79

>> 40 Financial assets 79

>> 41	Property, plant and equipment.....	80	OTHER DISCLOSURES.....	93
>> 42	Intangible assets	81	>> 59	Notes on financial instruments according to IAS 32
>> 43	Income tax assets.....	81	>> 60	Regulatory disclosures of DAB bank AG (based on German Commercial Code rules) 93
>> 44	Other assets	81	>> 61	Significant concentrations of assets and liabilities.....
>> 45	Liabilities to banks	82	>> 62	Contingent liabilities and other obligations
>> 46	Liabilities to customers	82	>> 63	Group Membership
>> 47	Trading liabilities	82	>> 64	Letter of comfort
>> 48	Provisions	83	>> 65	Events after the balance sheet date
>> 49	Income tax liabilities	84	>> 66	Related party disclosures
>> 50	Other liabilities.....	84	>> 67	Employees
>> 51	Subordinated capital.....	84	>> 68	Members of the Supervisory Board and the Management Board
>> 52	Subscribed capital	85	>> 69	Changes in the Management Board and Supervisory Board
>> 53	Treasury stock.....	87	>> 70	Shareholdings of members of the Management Board and the Supervisory Board ...
>> 54	Trust Transactions	87	>> 71	Share purchases and sales
>> 55	Assets and liabilities in foreign currency	88	>> 72	Relationships between the auditor and DAB bank AG
>> 56	Assignment of collateral for own liabilities	88	>> 73	Timing of release for publication
	NOTES TO THE CASH FLOW STATEMENT.....	89	GLOSSARY	104
>> 57	Cash flow statement	89		
	SEGMENT REPORTING	90		
>> 58	Segment reporting.....	90		

Exempting consolidated financial statements according to IFRS

The annual financial statements of the DAB bank Group at December 31, 2005 were prepared in conformity with the International Financial Reporting Standards (IFRS), insofar as they have to be applied in member countries of the European Union (IFRS/EU). In addition to the standards designated as IFRS, the IFRS also encompass the International Accounting Standards (IAS) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). For the first time, we have used the IAS published by the International Accounting Standards Board (IASB) revised within the framework of the Improvement Project, as well as the new IFRS, with an effective date of January 1, 2005.

As a capital market-oriented company, DAB bank AG prepares exempting consolidated financial statements in conformity with the IFRS pursuant to §315a (1) HGB in conjunction with §291 (3)(1)(1) HGB [German Commercial Code]. In addition, by preparing consolidated financial statements in accordance with IFRS, we fulfill the conditions imposed by Deutsche Börse AG for admission to the Prime Standard stock exchange segment and the respective follow-up obligations.

Aside from a few exceptions, the International Financial Reporting Standards are conformant with the EU accounting directives. These exceptions were not relevant to the DAB bank Group.

Unlike the EU directives, the IFRS only prescribe certain minimum requirements concerning the classification scheme of the balance sheet and income statement. To achieve the required conformity with the EU directives, the balance sheet and income statement items prescribed by the Bank Accounting Directive were disclosed in the notes to the consolidated financial statements. Similarly, disclosures required by EU law were also included in the notes, unless already prescribed by the IFRS.

The updated Declaration of Conformity with the German Corporate Governance Code in the version of June 05, 2005, as required by §161 AktG [German Stock Corporations Act], was updated on the company's website www.dab-aktie.com on December 27, 2005 and is available there for inspection.

All existing and currently applicable IFRS rules were observed.

In conformity with the relevant transitional regulations, the following regulations relevant to the DAB bank Group from a current perspective, but only required to be applied starting in fiscal 2006 or fiscal 2007, were not yet applied for fiscal 2005:

- IAS 1: Capital Disclosures
- IAS 39: Financial Guarantee Contracts
- IFRS 7: Financial Instruments: Disclosures
- IFRIC 4: Determining whether an arrangement contains a lease

We plan to apply the standards in the new form by no later than 2006 (IAS 39, IFRIC 4) or 2007 (IAS 1, IFRS 7), and to recognize items accordingly. No material effects are expected from this action.

Accounting and valuation methods

>> 1 Uniform Groupwide accounting principles

The separate financial statements of the consolidated subsidiaries are incorporated into the consolidated financial statements of DAB bank AG by application of uniform accounting and valuation principles. All figures are stated in thousands of euros.

>> 2 Continuity

In accordance with the IFRS Framework and the instructions contained in IAS 1 and IAS 8 the principle of continuity is observed with respect to the recognition, measurement and presentation methods applied from year to year. If it should be necessary to change the recognition and measurement methods, the consequences of such changes are recognized in income. If it should be necessary to correct recognition and measurement errors from earlier years, the consequences of such corrections are charged or credited to the profit reserves.

>> 3 Changes in recognition, measurement and presentation methods

Since fiscal 2005, numerous amended and new IFRS regulations have been bindingly required to be applied for the first time. The present financial statements were affected primarily by the following IFRS amendments:

- In accordance with IFRS 3, the scheduled amortization of goodwill will no longer apply. Accordingly, amortization of goodwill shall only be applied to unscheduled decreases in value on the basis of an annual impairment test in accordance with IAS 36, or when corresponding indications exist.
- Given the context of the new revision of IAS 39, we have carried out an almost complete reclassification of the securities held by DAB bank AG from the category Available for Sale (AFS) into the category At Fair Value

through Profit or Loss. We had correspondingly adjusted the related prior year values in the Quarterly Reports for Q1 through Q3 2005 for purposes of comparability in accordance with IAS 8.22 (retrospective application). As required by the new revision of the Fair Value Option in accordance with IAS 39 as published by the IASB on June 16, 2005 and passed by the EU on November 15, 2005, we are no longer showing any retrospectively applied values. In addition, the changes in the regulations, which also apply retrospectively, with regard to the new version of the Fair Value Option as of the January 1, 2005, reference date did not result in any effects on the recognition and measurement of the securities held by the bank that we originally reclassified.

Except for the changes resulting from the initial application of the revised IAS as well as the new IFRS, we have used the same accounting and valuation methods as in the 2004 consolidated financial statements.

>> 4 Consolidation group

The consolidation group of the DAB bank Group at December 31, 2005, was composed of DAB bank AG, Munich (the parent company), and the wholly-owned subsidiary direktanlage.at AG, Salzburg, which is fully consolidated.

Effective January 1, 2005, we have acquired all of the shares in FSB FondsServiceBank GmbH, Unterhaching, for a purchase price in the amount of €4,200 thousand. The incidental acquisition cost amounted to a total of €1,205 thousand. Within the scope of initial consolidation according to the acquisition method, the revaluation of the assets and liabilities of the company resulted in an overall effect amounting to €982 thousand. In connection with the specific application of the recognition criteria for intangible assets in accordance with IFRS 3, we have determined a value for the FSB for the customer base in the amount of €5,220 thousand, which we have added to the balance sheet under the Intangible Assets item. A resulting difference (negative goodwill) on the liabilities side in the amount of €8,365 thousand was completely recognized in net profit or loss in accordance with IFRS 3.56 (b) and shown in the balance of other income and expenses.

We have shown the restructuring and integration expenses in connection with the acquisition of FSB in the amount of €3,400 thousand as a separate item within the income statement.

In the 3rd quarter of 2005, all shares in FSB FondsServiceBank GmbH were merged with DAB bank AG retroactively as of January 1, 2005. By entry in the Commercial Register on September 29, 2005, we have thus also legally completed the merger. The effects shown with regard to initial consolidation also continue to apply unchanged after the merger. As of year-end, the original acquisition costs changed negligibly due to a retroactive purchase price reduction and the total effect from the revaluation of the assets and liabilities in the context of changes in remaining useful life. The business division allocated to FSB contributed to the operating income before taxes in the amount of €-843.

All of the companies in the consolidation group prepared their annual financial statements as of the December 31, 2005, balance sheet date.

>> 5 Consolidation principles

We offset the acquisition costs of an affiliated company in the capital consolidation process against the Group's share of equity in that company at the time of the acquisition; at the same time, the reported assets and liabilities of the acquired company are remeasured at fair value. The difference between the higher acquisition costs and the recalculated equity is recognized as goodwill and subjected to an annual valuation test.

Any difference on the liabilities side (negative goodwill) occurring in the course of the (initial) capital consolidation is subjected to a reassessment in order to discover any valuation errors that may have occurred in the determination of the costs of a corporate merger or the fair values of the assets and liabilities acquired. The difference remaining thereafter is fully recognized in net profit or loss on the date of initial consolidation.

Intercompany trade relationships within the consolidation group are netted as part of the debt and income consolidation process.

The consolidated net profit is equivalent to the unappropriated profit of DAB bank AG.

>> 6 Currency translation

Currency translation was carried out in accordance with the regulations of IAS 21, according to which business transactions are valued at their respective exchange rate at the time of the transaction. Monetary assets and liabilities not stated in euros, as well as cash transactions not completed at the balance sheet date are in principle translated within the scope of subsequent measurement at market rates on the balance sheet date in euros. Non-monetary assets and liabilities that are recognized at acquisition costs are carried at their acquisition exchange rate. Non-monetary items that are recognized at fair value are carried at the exchange rate at the time of measurement.

Expenses and income resulting from currency translation in the course of processing monetary items are in principle reflected in the corresponding items in the income statement.

The consolidated financial statements only include companies with balance sheets stated in euros.

>> 7 Financial instruments

A financial instrument is a contract that gives rise to both a financial asset on the books of one enterprise and a financial liability or equity instrument on the books of another enterprise. According to IAS 39, all financial instruments including derivatives must be recognized in the balance sheet, divided into predefined categories and measured on the basis of this categorization.

Loans and receivables comprise non-derivative financial instruments with fixed or determinable payments, which are not listed on an active market, for which there is no short-term intention of sale, and for which no indication exists for classifying them as Available for Sale (AfS). Loans and receivables are carried at amortized costs and shown in the items Receivables from financial institutions, Receivables from customers, and Other assets.

Held-for-trading financial instruments are measured at their fair value and any remeasurement differences are recognized in income. These holdings appear in the balance sheet items of Trading assets and Trading liabilities.

Financial instruments of the category At Fair Value through Profit or Loss (AFV) are always recognized on the balance sheet at fair value. The changes in the Fair Values are directly accounted for in net profit or loss for the period. AFV financial instruments are included exclusively in the financial assets item.

We apply a designation of financial instruments into the AFV category in order to avoid incongruencies in the recognition or measurement such as occurred in the past in the AfS category. Holdings designated as AFV are included in the portfolio management carried out on the basis of our integrated risk management strategy.

All other financial assets in the DAB bank Group are classified as available-for-sale securities and receivables. They are measured at fair value. Any remeasurement changes are recognized in a separate item of equity (available-for-sale reserve), and are therefore not recognized in income until such time as the asset is sold or written down according to IAS 39. AfS financial instruments are likewise exclusively a component of the financial assets item.

Purchases and sales of financial instruments are recognized on the trade date. Premiums and discounts are set off against the financial instruments directly. We are able to reliably determine the fair value of our financial instruments.

Extensive explanations on the risk management of financial instruments are included in the risk report.

>> 8 Receivables

Receivables from banks and receivables from customers are carried at amortized cost. Interest income is no longer recognized when, regardless of legal entitlement, collection of the interest receivable can no longer be expected. Interest receivables are accrued pro rata temporis and recognized in the respective items.

>> 9 Provisions for possible losses

The provisions for possible losses include specific provisions that are formed to account for all apparent and latent credit risks.

Specific provisions for possible losses are formed exclusively for receivables from customers. They are measured at the amount of the expected losses, after consideration of the securities furnished as collateral. They are reversed when the credit risk no longer exists or utilized when the receivable is considered to be uncollectable. Receivables are classified as being uncollectable when it is considered improbable that they can be collected in the foreseeable future or if they have been fully or partially waived. Uncollectable receivables are charged off directly. To the extent that amounts are recovered on charged-off receivables, such amounts are recognized in income.

>> 10 Trading assets

Trading assets include held-for-trading securities and the positive values of derivatives traded with customers or counterparties. Trading assets are measured at market prices.

>> 11 Financial assets

In the DAB bank Group, financial assets consist of AFV and AfS financial investments. All financial assets are measured at fair value. Any decrease or increase in the value of AFV financial assets are recognized in income. In contrast, any decrease or increase in the value of AfS financial assets are not recognized in income. Fair value changes are not recognized in income until such time as the asset in question is sold or written down in accordance with IAS 39.

>> 12 Property and equipment

Items of property and equipment are measured at acquisition or production cost, less scheduled straight-line depreciation based on the expected useful lives of the assets in question, provided that the assets are depletable. In the case of leasehold improvements, the lease term including any renewal options is applied as the useful life if it is shorter than the customary useful life. Unscheduled writedowns are taken to account for any impairment losses affecting an item of property and equipment. If the reasons for such an impairment loss no longer exist, the value of the asset is reinstated up to the amortized cost or production cost of the asset.

Subsequently incurred acquisition or production costs are added to the asset's value. Gains and losses on the sale of property and equipment are stated in the income statement under net other operating income/expenses. Costs incurred to preserve property and equipment are recognized as expenses in the year in which they are incurred.

Property, plant and equipment	Useful life
Leasehold improvements	1.5-9 years
Computer equipment (in the broader sense)	1 -10 years
Other operational and business equipment	3 -25 years

>> 13 Leasing

As a lessee, DAB bank carries the obligations from leasing agreements qualified as operating leases, which are mainly for computer hardware, under the heading of other liabilities. Lease payments are recognized within the item of Administrative expenses.

>> 14 Intangible assets

The intangible assets mainly consist of goodwill and computer software.

The goodwill relates entirely to direktanlage.at AG. A goodwill item of €6,387 thousand resulted from the acquisition of vbankdirekt AG on November 21, 2001. Another goodwill item of €11,751 thousand arose on the full consolidation of direktanlage.at AG. In accordance with IAS 36, the goodwill is periodically subjected to an impairment test. Impairment losses are recognized when there is reason to believe that an impairment has occurred.

Software is carried at amortized cost and amortized over expected useful lives of 3 to 10 years. The amortization charges are included within the item of Depreciation/amortization of property, plant and equipment and intangible assets, which is presented under the heading of Administrative expenses.

The intangible assets also include, under the item "Other," a customer base in the amount of €5,220 thousand, which stems from the takeover of FSB; the customer base is written down on a linear basis over an assumed useful life of 15 years.

>> 15 Liabilities

We carry liabilities on the liabilities side of the balance sheet at amortized costs, which essentially correspond to the repayment amount, taking the real interest method into account.

>> 16 Trading liabilities

The trading liabilities contain the negative market values of derivatives traded with customers or counterparties. Trading liabilities are measured at market prices.

>> 17 Provisions for possible losses

Provisions are formed to account for all discernible risks, based on the best estimate of the expected utilization in accordance with IAS 37.36 et seq.

Provisions for pensions and similar obligations are formed on the basis of expert actuarial opinions. The expenses from pension provisions are shown as a component of personnel expense.

>> 18 Other liabilities

The item of other liabilities also includes accruals according to IAS 37. Like provisions, accruals are established to account for future expenditures that are uncertain with respect to their timing or amount, but in the case of accruals this uncertainty is substantially lower than for provisions. Accruals are formed to account for liabilities for goods or services received or rendered, which have not yet been paid or invoiced by the supplier or been the subject of a formal agreement. They are also formed to account for short-term liabili-

ties owed to employees, such as bonus payments and vacation benefits, for example, and for liabilities under non-income-dependent taxes. The accruals are stated at the expected utilization amount.

>> 19 Income taxes

Income taxes are recognized and measured in accordance with IAS 12. Barring the few exceptions set out in the Standard, deferred taxes are recognized for all temporary differences between the carrying amounts of assets or liabilities according to IFRS and the respective tax bases (balance sheet method). Deferred tax assets are recognized for unutilized tax loss carryforwards to the extent permitted by IAS 12.

Because this method is based on future tax assets or liabilities (liability method), deferred taxes are calculated by application of the tax rates expected to be in effect when the differences reverse.

>> 20 Management's Exercise of Discretionary Rights

Within the scope of application of the described accounting and valuation methods, no material effects have resulted from the exercise of possible discretionary choices by the management of DAB bank AG that could influence the consolidated balance sheet beyond the circumstances presented in the Notes and the Financial review.

Notes to the income statement

>> 21 Net interest income

in k€	01/01/2005- 12/31/2005	01/01/2004- 12/31/2004
Interest income	76,871	75,401
from lending and money market operations	29,775	26,218
from fixed-income securities and book-entry securities	46,836	34,827
including: Interest from AFV financial instruments	42,883	-
from shares and other non-fixed income securities	260	14,356
including: Dividends from AFV financial instruments	219	-
Interest expenses	36,289	30,324
for deposit	36,065	30,136
for subordinated capital	215	186
for other	9	2
Total	40,582	45,077

The interest income from shares and other non-fixed-income securities contain income from securities classified as financial assets.

In the reporting period, interest income in the amount of €33,769 thousand and interest paid in the amount of €36,289 thousand were allocated to assets and liabilities classified as non-AFV financial instruments.

>> 22 Provisions for possible losses

in k€	01/01/2005- 12/31/2005	01/01/2004- 12/31/2004
Additions	597	409
Releases	685	1,540
Recoveries on receivables written off	27	6
Total	-115	-1,137

>> 23 Net commission income

in k€	01/01/2005- 12/31/2005	01/01/2004- 12/31/2004
Commission income	156,650	98,221
from securities and custodial services	150,448	93,711
from money transfer operations	3,523	2,602
from other services operations	2,679	1,908
Commission expenses	56,526	26,403
from securities and custodial services	54,932	24,575
from money transfer operations	323	196
from other services operations	1,271	1,632
Total	100,124	71,818

>> 24 Trading profit/loss

The trading profit/loss is mainly composed of the profits/losses on securities held by the bank in connection with our offerings of bonds and hedge fund certificates at the "DAB marketplace".

>> 25 Profit/Loss from Investments

The profit/loss from investments contains profits/losses on the sale of AFV and AfS financial instruments as well as changes in value of such instruments that are to be recognized in income. In addition, profit/loss from investments also contains the profit/loss contributions of derivatives held as hedges.

>> 26 Administrative expenses

in k€	01/01/2005- 12/31/2005	01/01/2004- 12/31/2004
Personnel expenses	37,523	29,658
Wages and salaries	31,539	25,243
Social security	5,395	4,304
Pension and other benefit costs	589	111
Other administrative expenses	70,539	59,174
Marketing expenses	9,661	8,469
Communication expenses	7,145	5,581
IT expenses	19,746	15,857
Securities settlement	15,317	13,336
Remaining other administrative expenses	18,670	15,931
Depreciation and amortization	8,704	7,298
of equipment	1,829	2,026
of software and other intangible assets (excluding goodwill)	6,875	5,272
Total	116,766	96,130

>> 27 Restructuring/integration expenses

In connection with the merger of FSB FondsServiceBank GmbH into DAB bank AG, restructuring and integration expenses in the total amount of €3,400 thousand are shown for fiscal 2005, which are attributable to IT expense of €1,600 thousand and primarily personnel expense of €1,800 thousand.

>> 28 Other operating income/expenses

in k€	01/01/2005- 12/31/2005	01/01/2004- 12/31/2004
Other operating income	9,696	11,715
Reversal of provision and accruals (non-credit business)	3,409	5,881
Income from defective processing of securities transactions	1,526	1,229
Other	4,761	4,605
Other operating expenses	5,171	4,558
Allocations to accruals (non-credit business)	115	226
Losses from defective processing of securities transactions and accomodation payment	1,636	2,455
Other	3,420	1,877
Total	4,525	7,157

>> 29 Amortization of goodwill

In accordance with IFRS 3, the scheduled amortization of goodwill no longer applies as of January 1, 2005. The impairment test carried out in this context as of December 31, 2005, confirmed the value of the goodwill shown for direktanlage.at AG in the amount of €18,138 thousand. Due to the positive development of profit/loss, we will also assume in the future that there is no need for extraordinary write-downs.

>> 30 Net other operating income/expenses

This item shows the profit from the merger of FSB FondsServiceBank GmbH into DAB bank AG in the amount of €8,365 thousand, as well as other taxes in the amount of €13 thousand that are not classified as income taxes.

>> 31 Income taxes

Income taxes break down as follows:

in k€	01/01/2005- 12/31/2005	01/01/2004- 12/31/2004
Current taxes	1,340	1,974
Deferred taxes	3,283	-10,608
Total	4,623	-8,634

The actual taxes shown resulted mainly from the application of the regulation aimed at limiting loss deductions for corporation taxes and municipal trade earnings taxes (minimum tax regulation). The deferred income taxes resulted predominantly from the recognition and/or reversal of temporary differences and effects of utilization of tax loss carryforwards from earlier years.

The differences between computed and recognized income taxes are revealed in the following reconciliation statement:

in k€	01/01/2005- 12/31/2005	01/01/2004- 12/31/2004
Result before taxes	23,891	16,115
Applicable tax rate	26.40%	26.40%
Income taxes derived from applicable rate	6,307	4,254
Tax effects		
from previous years (changes in tax rates)	10	-2,854
from foreign income	-72	278
from tax-exempt income	-2,800	-
from differing legal norms	1,167	2,094
from non-deductible expenses	39	145
from amortization of goodwill	-	247
from adjustments to and non-recognition of deferred taxes	-	-12,781
from valuation adjustments	-	-
from other differences	-28	-17
Effective income taxes	4,623	-8,634

The domestic income tax rate applied as the basis for the reconciliation statement is composed of the uniform corporation tax rate of 25.0% and the solidarity surtax of 5.5% of the corporation tax, and remains unchanged from the prior year at 26.4%.

The foreign income tax effects result from the different tax rates applied in Germany and Austria.

The effects resulting from the imposition of current and deferred municipal trade taxes which are not computed in Germany on the basis of uniform tax rates and the reduction of the official corporation tax and solidarity surtax rates caused by the deductibility of municipal trade taxes are stated under the item Tax effects from different legal norms.

In the transitional financial statements for fiscal 2004, in addition to the effects from the reduction and increase in deferred tax assets pursuant to IAS 12.37 and IAS 12.56, the item Tax effects from valuation adjustments and non-recognition of deferred taxes also includes the effects from subsequent recognition of deferred taxes on the assets side from tax loss carryforwards allocated to prior years and temporary differences.

The deferred tax assets and deferred taxes are allocated to the following items as per IAS 12.81 (g):

in k€	31.12.2005		31.12.2004	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Loss carryforwards	29,436	-	31,115	-
Trading assets	-	6,299	-	17,163
Property and equipment	42	12	-	8
Intangible assets	-	1,991	-	13
Financial assets	96	556	-	99
Trading liabilities	6,030	-	17,109	-
Provisions	863	29	1,860	-
Total	36,467	8,887	50,084	17,283

>> 32 Appropriation of net profit (as per HGB/AktG)

The unappropriated net profit of DAB bank AG for the 2005 financial year, as calculated in accordance with national laws, including in particular the provisions of the German Commercial Code (HGB) and the German Stock Corporations Act (AktG), amounted to €13,534 thousand. The Management Board and Supervisory Board of DAB bank AG will propose to the shareholders at the annual meeting to be held on May 11, 2006 that a dividend of €0.18 per nonpar bearer share be distributed. The Group net profit of the DAB bank Group calculated in accordance with IFRS is also €13,534 thousand.

>> 33 Earnings per share

	01/01/2005- 12/31/2005	01/01/2004- 12/31/2004
Net profit/loss in k€	19,268	24,749
Number of average shares outstanding	75,187,007	75,187,007
Earnings per share (basic) in €	0.26	0.33
Net profit/loss in k€	19,268	24,749
Number of potential shares	-	42,124
Adjusted number of average shares outstanding	75,187,007	75,229,131
Earnings per share (diluted) in €	0.26	0.33

The dilution effect occurring earlier resulted from the Stock Option Plans implemented in 2002. All option rights in connection with this plan lapsed in the course of the reporting period due to non-achievement of the profit threshold.

>> 34 Value-added statement

Origination		
in k€	01/01/2005- 12/31/2005	01/01/2004- 12/31/2004
Total income	144,375	110,426
Provisions for possible losses	-115	-1,137
Other administrative expenses	70,539	59,174
Restructuring and integration expenses	3,400	-
Depreciation/amortization of property, plant and equipment and intangible assets (including goodwill)	8,704	8,770
Change in provision	420	-2,166
Value-added	61,427	45,785

Distribution

in k€	01/01/2005- 12/31/2005	01/01/2004- 12/31/2004
Employees (personnel expenses)	37,523	29,658
Government (taxes)	4,636	-8,622
Shareholders of DAB bank AG (dividend)	13,534	11,278
Enterprise (self-financing)	5,734	13,471
Value-added	61,427	45,785

Notes to the balance sheet
>> 35 Cash reserve

in k€	12/31/2005	12/31/2004
Cash on hand	1,592	1,741
Balances with central banks	44,530	32,422
Total	46,122	34,163

The prescribed minimum cash reserve at December 31, 2004 was €34,542 thousand (2004: €29,476 thousand).

>> 36 Receivables from banks
Receivables from banks, by maturity

in k€	12/31/2005	12/31/2004
Due on sight	334,992	369,889
Due in	46,330	48,254
up to 3 months	18,852	35,887
more than 3 months to 1 year	25,478	8,367
more than 1 year to 5 years	2,000	4,000
more than 5 years	-	-
Total	381,322	418,143

Receivables from banks, domestics vs. foreign

in k€	12/31/2005	12/31/2004
Domestic	342,631	357,983
Foreign	38,691	60,160
Total	381,322	418,143

Receivables from affiliated companies

in k€	12/31/2005	12/31/2004
Total	272,114	344,001

>> 37 Receivables from customers
Receivables from customers, by maturity

in k€	12/31/2005	12/31/2004
Due on sight	267,779	221,586
Due in	206,138	207,187
up to 3 months	-	-
more than 3 months to 1 year	19,765	2,497
more than 1 year to 5 years	186,121	164,490
more than 5 years	252	40,200
Total	473,917	428,773
	-	241

Receivables from customers, domestics vs. foreign

in k€	12/31/2005	12/31/2004
Domestic	202,645	387,785
Foreign	271,272	40,988
Total	473,917	428,773

The receivables due daily are composed primarily of loans extended for the purchase of securities. The receivables of definite maturity primarily consist of financing extended in connection with equipment leasing funds, which are

funded and secured by matched-maturity deposits. In addition, the receivables of definite maturity contain loans against securities that feature conversion rights.

>> 38 Provisions for possible losses

Changes in provisions						
in k€	Individual risks		Latent risks		Total	
	2005	2004	2005	2004	2005	2004
At January 1	3,997	5,224	-	530	3,997	5,754
Changes recognized in income						
Additions	597	360	-	-	597	409
Releases	685	961	-	530	685	1,540
Changes not recognized in income						
Utilization	582	626	-	-	582	626
At December 31	3,327	3,997	-	-	3,327	3,997

In the DAB bank Group, receivables amounting to €241 thousand were charged off in 2005 (2004: €31 thousand). The amounts recovered on charged-off receivables amounted to €27 thousand in 2005 (2004: €6 thousand).

The bank's credit business mainly consists of loans against securities. The apparent and latent risks of such loans are adequately accounted for by means of specific provisions for possible losses.

>> 39 Trading assets

The trading assets include securities that are held in connection with our offering of bonds, stock and hedge fund certificates in our own holdings, as well as the positive fair values of derivatives traded with customers or counterparties.

At the balance sheet date, the trading assets appearing under this item were not subject to any restrictions on disposal.

>> 40 Financial assets

Breakdown of financial assets		
in k€	12/31/2005	12/31/2004
AFV financial assets	1,289,378	-
Debt securities and other fixed-income securities	1,222,379	-
thereof: long-term financial assets	-	-
Shares and other non-fixed-income securities	66,999	-
thereof: long-term financial assets	-	-
Available-for-sale financial assets	142,948	1,119,571
Shares in companies valued at equity	20	20
Debt securities and other fixed-income securities	136,976	1,049,665
thereof: long-term financial assets	-	-
Shares and other non-fixed-income securities	5,952	69,886
thereof: long-term financial assets	-	-
Total	1,432,326	1,119,571

Effective January 1, 2005, we have carried out a reclassification of the securities portfolio in the amount of €1,004,985 thousand from the Available for Sale (AfS) category into the At Fair Value (AFV) category. In the reporting period, net income from AFV financial assets amounted to €30,736 thousand, and the net income from AfS financial assets was €4,055 thousand.

Breakdown of carrying amounts at December 31, 2005:

in k€	Participating interests	Debt securities and other fixed-income securities	Shares and other non-fixed-income securities	Total
Marketable securities values	-	1,359,354	53,638	1,412,992
Listed securities values	-	1,356,342	52,063	1,408,405
Non-listed securities values	-	3,012	1,575	4,587
Non-marketable securities values	20	-	19,314	19,334

At December 31, 2005, our subsidiary direktanlage.at AG held shares in companies valued at equity in the amount of €20 thousand.

Debt securities and other fixed-income securities, as well as shares and other non-fixed-income securities, break down as follows:

in k€	12/31/2005	12/31/2004
Debt securities and other fixed-income securities	1,359,355	1,049,665
Money market instruments	18,215	20,312
Bonds and debt securities	1,341,140	1,029,353
of public issuers	277,428	117,527
of other issuers	1,063,712	911,826
Shares and other non-fixed-income securities	72,951	69,886
thereof:		
Equity shares	4,338	115
Investment fund shares	25,746	16,462
Participation certificates	41,537	53,309
Index certificates	1,330	-

Of the debt securities and other fixed-income securities, the amount of €246,508 thousand will mature in the following year.

>> 41 Property, plant and equipment

Changes in property, plant and equipment

in k€	Operational and office equipment
Acquisition or production cost	
At January 1, 2004	62,730
Changes due to corporate merger	-
Additions	1,564
Transfers	-44,625
Disposals	88
At December 31, 2004	19,581
Depreciation	
At January 1, 2004	38,764
Changes due to corporate merger	-
Scheduled depreciation	3,060
Unscheduled depreciation	-
Transfers	-27,535
Disposals	84
At December 31, 2004	14,205
Carrying amounts	
At December 31, 2004	5,376
Acquisition or production cost	
At January 1, 2005	19,581
Changes due to corporate merger	556
Additions	1,026
Transfers	-
Disposals	1,142
At December 31, 2005	20,021
Depreciation	
At January 1, 2005	14,205
Changes due to corporate merger	-
Scheduled depreciation	1,829
Unscheduled depreciation	-
Transfers	-
Disposals	773
At December 31, 2005	15,261
Carrying amounts	
At December 31, 2005	4,760

>> 42 Intangible assets

Changes in intangible assets

in k€	Goodwill	Software	Other
Acquisition or production cost			
At January 1, 2004	21,763	1,511	-
Changes due to corporate merger	-	-	-
Additions	-	13,862	-
Transfers	-	44,625	-
Disposals	-	12	-
At December 31, 2004	21,763	59,986	-
Amortization			
At January 1, 2004	2,153	434	-
Changes due to corporate merger	-	-	-
Scheduled depreciation	1,472	5,272	-
Unscheduled depreciation	-	-	-
Transfers	-	27,535	-
Disposals	-	1	-
At December 31, 2004	3,625	33,242	-
Carrying amounts			
At December 31, 2004	18,138	26,744	-
Acquisition or production cost			
At January 1, 2005	21,763	59,986	-
Changes due to corporate merger	-	1,935	5,220
Additions	-	17,004	-
Transfers	-	-	-
Disposals	-	718	-
At December 31, 2005	21,763	78,207	5,220
Amortization			
At January 1, 2005	3,625	33,242	-
Changes due to corporate merger	-	-	-
Scheduled depreciation	-	6,527	348
Unscheduled depreciation	-	-	-
Transfers	-	-	-
Disposals	-	138	-
At December 31, 2005	3,625	39,631	348
Carrying amounts			
At December 31, 2005	18,138	38,576	4,872

Intangible assets include advance payments of €6,059 thousand for IT projects not completed on the balance sheet date. We carry the customer base from the takeover of FSB FondsServiceBank GmbH under the "Other" item.

In fiscal 2005, we carried out an audit of the expected remaining life of our software carried as assets, and took this into account appropriately in scheduled amortization. In this context, the scheduled amortization for 2005 has dropped by a total effect in the amount of €1,542 thousand.

>> 43 Income tax assets

in k€	12/31/2005	12/31/2004
Tax refund claims	1,355	-
Deferred tax assets from tax loss carryforwards	29,436	31,115
Deferred tax assets from temporary differences	7,031	18,969
Total	37,822	50,084

>> 44 Other assets

in k€	12/31/2005	12/31/2004
Prepaid expenses	1,634	3,046
Other assets	34,700	21,905
Total	36,334	24,951

Other assets from affiliated companies

in k€	12/31/2005	12/31/2004
Total	1,021	5,923

>> 45 Liabilities to banks

Liabilities to banks, by maturity

in k€	12/31/2005	12/31/2004
Due on sight	58,634	34,134
Due in	43,618	43,766
up to 3 months	3,636	1,852
more than 3 months to 1 year	-	1,929
more than 1 year to 5 years	39,982	-
more than 5 years	-	39,985
Total	102,252	77,900

Liabilities to banks, domestic vs. foreign

in k€	12/31/2005	12/31/2004
Domestic banks	57,925	72,619
Foreign banks	44,327	5,281
Total	102,252	77,900

Liabilities to affiliated companies

in k€	12/31/2005	12/31/2004
Total	8,614	4,485

>> 46 Liabilities to customers

Liabilities to customers, by maturity

in k€	12/31/2005	12/31/2004
Due on sight	1,876,903	1,535,109
Due in	279,192	296,518
up to 3 months	113,644	89,142
more than 3 months to 1 year	19,407	44,334
more than 1 year to 5 years	146,141	163,042
more than 5 years	-	-
Total	2,156,095	1,831,627

Liabilities to customers, domestic vs. foreign

in k€	12/31/2005	12/31/2004
Domestic	1,717,630	1,425,457
Foreign	438,465	406,170
Total	2,156,095	1,831,627

Customers of DAB bank AG are individually insured with regard to their deposits in the current amount of €36,311 thousand by the Einlagen-sicherungsfonds des Bundesverbands deutscher Banken e.V., Cologne.

>> 47 Trading liabilities

The trading liabilities are composed of the negative fair values of derivatives traded with customers or counterparties.

>> 48 Provisions

Changes in provision		
in k€	2005	2004
At January 1 (total)	8,788	12,087
Restructuring provisions per IAS 37		
At January 1	473	1,857
Changes recognized in income		
Allocations	6	-
Reversals	200	807
Changes not recognized in income		
Utilizations	114	269
Transfers	-	-308
At December 31	165	473
Other provisions		
At January 1	8,315	10,230
Changes recognized in income		
Allocations	2,385	770
Reversals	1,687	2,129
Changes not recognized in income		
Changes due to corporate merger	326	-
Utilizations	1,431	1,864
Transfers	-	1,308
At December 31	7,908	8,315
At December 31 (total)	8,073	8,788

The Other provisions mainly consist of provisions from existing contracts in the amount of €2,123 thousand (previous year: €4,388 thousand) and provisions for damages in the amount of €4,427 thousand (previous year: €3,022 thousand).

In addition, the Other provisions include provisions for pension obligations, which break down as follows:

Development of pension provisions		
in k€	2005	2004
Present value of pension obligations as of January 1	846	823
Changes affecting net income		
Present value of the pension claims earned in the fiscal year	58	4
Interest paid	26	19
Changes not affecting net income		
Changes due to corporate merger	326	-
Payments affecting liquidity	-40	-
Present value of pension obligations as of December 31	1,216	846

Provisions for pensions and similar obligations comprise, on the one hand, payments arising from termination of employment relationships, and on the other hand, payments after termination of employment relationships. Pension provisions in the narrow sense relate to payments after termination of employment relationships, and consist exclusively of defined benefit plans that are formed on the basis of expert actuarial opinions. The discount rate used is equal to an average of about 4 % per annum (prior year, likewise 4 % per annum). The defined-benefit plans relate to employees of FSB FondsServiceBank GmbH, which was acquired by DAB bank AG, and to employees of direktanlage.at AG.

We have reversed provisions that were no longer needed, with an effect on net income.

>> 49 Income tax liabilities

in k€	12/31/2005	12/31/2004
Income tax provisions	1,100	260
Deferred tax liabilities from temporary differences	8,886	17,283
Total	9,986	17,543

>> 50 Other liabilities

in k€	12/31/2005	12/31/2004
Accruals	25,129	12,062
Other liabilities	14,633	8,377
Total	39,762	20,439

Other liabilities to affiliated companies

in k€	12/31/2005	12/31/2004
Total	56	116

The accruals were formed mainly to account for short-term liabilities to employees, as well as trade payables for which no invoices were received at the balance sheet date. The Other liabilities are composed primarily of trade payables and liabilities to public authorities.

>> 51 Subordinated capital

Subordinated capital by maturity

in k€	12/31/2005	12/31/2004
Due in		
up to 3 months	-	-
more than 3 months to 1 year	-	6,154
more than 1 year to 5 years	10,002	2,000
more than 5 years	-	-
Total	10,002	8,154

Nominal amount in k€	Interest rate	Starting date	Expiration date	Counterparty
2,000	3-month-Euribor + 0.75% p.a.	03/31/2004	03/31/2009	Bayerische Hypo- und Vereinsbank AG
8,000	3-month-Euribor + 1.00% p.a.	09/30/2005	09/30/2010	Bayerische Hypo- und Vereinsbank AG

The subordinated liabilities fulfill the regulatory requirements of §10 Para. 5a KWG (German Banking Act). The subordinated loan in the nominal amount of €6,136 thousand that was previously shown was repaid to Tiroler Sparkasse Bankaktiengesellschaft Innsbruck at its due date on August 18, 2005.

The item of Subordinated liabilities contains prorated interest in the amount of €2 thousand. Interest expenses of €215 thousand were incurred on subordinated liabilities in 2005.

>> 52 Subscribed capital

The share capital of DAB bank AG is unchanged at €75,187,007. It is divided into 75,187,007 non-par bearer shares.

Capital increase

No capital increase was effected in 2005.

Authorized Capital

1.) Authorized Capital I/2002:

By resolution of the regular Annual Stockholders Meeting of May 22, 2002, the Management Board was authorized to increase the capital stock with the approval of the Supervisory Board by May 21, 2007, in exchange for cash or contributions in kind, once or multiple times, by a total of up to €20,000,000.00 by issuance of new shares, whereby the subscription rights of the shareholders can be excluded in specific cases (Authorized Capital I 2002). In case of stock issues against contributions in kind, the Management Board is authorized to exclude the subscription rights of the shareholders with the consent of the Supervisory Board.

The Authorized Capital I was entered into the Commercial Register on July 9, 2002.

In the context of bringing in direktanlage.at AG, the existing Authorized Capital 2002/I in the amount of €1,029,323 was exhausted. As of December 31, 2005, the Authorized Capital I/2002 consists of €18,970,677.

2.) Authorized Capital II:

By resolution of the extraordinary Annual Stockholders Meeting of November 15, 2000, the Management Board was authorized to increase the capital stock

with the consent of the Supervisory Board through October 31, 2005 against contributions in kind, once or multiple times, by a maximum of €7,485,674 by issuance of new shares (Authorized Capital II). The subscription rights of the existing shareholders are excluded. The issuance of new shares is only permitted in this case insofar as they are to be issued in consideration of stock in Self Trade, which are to be brought into the company pursuant to the takeover offer of the company that was publicly announced on September 13, 2000 (Offre publique d'échange par la société Direkt Anlage Bank AG portant sur les actions de la société Self Trade). The Authorized Capital II was entered into the Commercial Register on December 29, 2000.

As of January 1, 2005, the Authorized Capital II still consisted of €3,034,036. Further utilization of Authorized Capital II did not occur in 2005. It lapsed in accordance with its deadline on October 31, 2005.

3.) Authorized Capital III:

By a resolution of the Annual Stockholders Meeting dated May 22, 2003, the Management Board was authorized to increase the capital stock of the company through May 22, 2008, with the consent of the Supervisory Board, by issuance of new bearer no par value shares against cash or contributions in kind, once or multiple times, by a total of up to EUR 15,000,000.00 (Authorized Capital III). In case of stock issues against contributions in kind, the Management Board is authorized to exclude the subscription rights of the shareholders with the consent of the Supervisory Board.

The Authorized Capital III was entered into the Commercial Register on June 6, 2003.

As of December 31, 2005, the Authorized Capital III still consists of the full amount of €15,000,000.

Conditional Capital/Stock Option Plan

1.) By resolution of the Annual Stockholders Meeting dated September 2, 1999 (entered in the Commercial Register on October 12, 1999), the capital stock of the company was conditionally increased by up to €3,500,000 by issuance of up to 3,500,000 bearer no par value shares. The conditional capital increase will only be carried out for the purpose of redemption of option rights within the framework of the stock option plan, whereby the implementation will only occur to the extent that the holders of stock options exercise their option rights and shares are issued from the conditional capital for this purpose. The preemptive shares are entitled to participate in profits from the beginning of the fiscal year in which they are issued.

As of the December 31, 2005 reference date, no option rights exist in the context of the 1999 stock option plan of DAB bank AG for the members of the Management Board and the employees of DAB bank AG. In 2005, a total of 41,320 options lapsed due to non-attainment of the profit threshold, and 825 options lapsed due to the departure of individual employees from DAB bank AG. In 2005, no option rights were granted for no compensation.

2.) The Annual Stockholders Meeting of May 17, 2001, resolved that the registered capital will be conditionally increased by up to EUR 3,300,000 by issuance of up to 3,300,000 bearer no par value shares (Conditionally Authorized Capital II).

The conditional capital increase will only be carried out for the purpose of redemption of option rights within the framework of the international stock option plan, whereby the implementation will only occur to the extent that the holders of stock options exercise their option rights and shares are issued from the conditional capital for this purpose. The preemptive shares are entitled to participate in profits from the beginning of the fiscal year in which they are issued.

As of December 31, 2005, option rights no longer exist within the framework of the 2001 international stock option plan of DAB bank AG for Group employees.

In 2005, a total of 61,940 options lapsed due to non-attainment of the profit threshold (option plan dated September 3, 2002, for the newly joined or promoted employees), and 730 options lapsed due to the departure of individual employees from DAB bank AG.

In 2005, a total of 60,871 options lapsed due to non-attainment of the profit threshold (option plan dated September 10, 2002, for the employees of direktanlage.at AG as well as the exchange of Self Trade SA options for DAB bank AG options), and 2,900 options lapsed due to the departure of individual employees.

In 2005, no option rights were granted for no compensation.

Changes in Subscribed, Authorized and Conditional Capital of DAB bank AG

in k€	Subscribed capital	Authorized capital	therof: exclusive of subscription rights	Conditional capital
At January 1, 2005	75,187	33,971	33,971	6,800
At December 31, 2005	75,187	33,971	33,971	6,800

Authorized capital

in k€	Original amount	Still available	Limited in time until
Decision year			
2000	7,486	-	31.10.2005
2002	20,000	18,971	21.05.2007
2003	15,000	15,000	22.05.2008
At December 31, 2005	42,486	33,971	

Conditional capital

in k€	Original amount	Still available	Limited in time until
Decision year			
1999	3,500	3,500	-
2001	3,300	3,300	-
At December 31, 2005	6,800	6,800	-

Options

	following resol. of shareholders meeting of Sept. 2, 1999	following resol. of shareholders meeting of May. 17, 2001	Total
Options at January 1, 2005	42,145	126,441	168,586
Options granted in 2005	-	-	-
Options exercised	-	-	-
Options expired	42,145	126,441	168,586
Options at December 31, 2005	-	-	-
Exercisable at December 31, 2005	-	-	-

>> 53 Treasury stock

By virtue of §71 Para. 1 No. 7 AktG, the company is authorized to buy and sell its own shares for trading purposes until October 31, 2006. The company shares acquired for trading purposes may not exceed 5% of the company's share capital at the close of any day. The price at which company shares are purchased may not be more than 10% higher or lower than the average of the closing prices of the DAB bank AG share in the XETRA trading system (or a comparable successor system) on the three stock exchange days preceding the purchase.

The total shares held by the company, including the shares purchased for the purpose indicated above and any other company shares held by the company or attributable to the company by virtue of §§71a et seq. AktG, may not exceed 10% of the company's share capital at any time.

This authorization supersedes the authorization to purchase company shares for trading purposes granted by the shareholders at the annual meeting of May 06, 2004 under Agenda Item 5, which is hereby annulled.

DAB bank AG purchased company shares in 2005. This occurred exclusively as part of error correction. Overall, transactions in the period listed above involved 3,125 shares; this corresponds to a share of €3,125 or 0.004 % of the capital stock. At average buy and sell prices of €6.10 and €5.42 per share, respectively, a total loss of €2,125.35 was incurred and charged against the net profit for the year.

No DAB bank shares were held by the DAB bank Group at December 31, 2005.

>> 54 Trust Transactions

The trust assets comprise securities managed in trust in the amount of €10,462 thousand in connection with value balances from old-age part-time work models, which are balanced by trust obligations for the benefit of our old-age part-time work customers in the same amount. The securities are entirely stocks and other non-fixed-interest securities, which are valued at fair value.

All trust assets and trust liabilities of the DAB bank Group are not carried as components of the consolidated balance sheet in conformity with IFRS. The trust transactions correspond to the balance sheet items Financial assets or liabilities to customers.

>> 55 Assets and liabilities in foreign currency

At the balance sheet date, the total amount of assets denominated in foreign currency was €69,876 thousand, that of liabilities denominated in foreign currency €71,151 thousand. Foreign currency transactions were effected primarily in U.S. dollars.

>> 56 Assignment of collateral for own liabilities

As collateral for the processing of securities transactions, securities in the nominal value of €10,000 thousand were pledged to Deutsche Börse Clearing AG, Frankfurt. For the processing of transactions in connection with derivative financial instruments, €8,000 thousand were deposited as collateral at Bayerische Hypo- und Vereinsbank AG, Munich.

Notes to the cash flow statement

>> 57 Cash flow statement

The cash flow statement shows changes in the net cash holdings of the company. Cash flows are assigned to the categories of “operating activities,” “investing activities” and “financing activities.”

The stated amount of cash and cash equivalents corresponds to the cash reserve balance sheet item. This item includes cash on hand and balances with central banks.

The item of Changes in other non-cash items contains the net reversal of deferred taxes and changes in provisions.

The change in cash and cash equivalents resulting from the acquisition and subsequent merger of FSB into DAB bank AG is shown in the cash flow statement in summary form in a separate item. The purchase of FSB was made by a cash payment, which led to a cash outflow in the amount of the acquisition costs of €5,405 thousand. Of this amount, €5,273 thousand already flowed out in fiscal 2004.

The assets and liabilities of the FSB, which was merged with DAB bank AG, break down as follows:

in k€	12/31/2004- 01/01/2005
Assets	
Cash reserve	0
Due from banks	7,603
Financial assets	1,750
Tangible assets	556
Intangible assets	7,155
Income tax claims	48
Other assets	3,431
Liabilities	
Provisions and accruals	326
Income tax obligations	2,133
Other liabilities	4,314

Segment reporting

>> 58 Segment reporting

The DAB bank Group is managed on the basis of regional areas of responsibility. Therefore, the countries of Germany and Austria, where the DAB bank Group operates, constitute the primary segments for segment reporting. Operating figures have been assigned to the regions on the basis of the company's domicile. The consolidation column contains consolidation entries that do not relate to a particular region. Amortization of goodwill has been assigned to the segment relating to Austria.

The DAB bank Group is active in the business of brokerage and financial services. We consider this business to be the only defined segment in which we operate. Thus, we do not consider it necessary to break out operating figures by line of business (secondary segmentation).

Within our Economic Report, customer business has been broken down into B2C and B2B. These two customer groups differ from each other primarily with respect to the structure of their needs. Because the products and services offered in both areas are essentially the same, we did not perform a segmentation by B2C and B2B beyond the information already provided in other parts of the annual report.

Income Statement by region

in k€	Germany	Austria	Consolidation	Group
Net interest income				
01/01/2005-12/31/2005	35,386	5,196	-	40,582
01/01/2004-12/31/2004	41,139	3,938	-	45,077
Provisions for possible losses				
01/01/2005-12/31/2005	-122	7	-	-115
01/01/2004-12/31/2004	-1,153	16	-	-1,137
Net interest income after provisions for possible losses				
01/01/2005-12/31/2005	35,508	5,189	-	40,697
01/01/2004-12/31/2004	42,292	3,922	-	46,214
Net commission income				
01/01/2005-12/31/2005	86,347	13,777	-	100,124
01/01/2004-12/31/2004	61,224	10,594	-	71,818
Trading profit/loss				
01/01/2005-12/31/2005	2,607	55	-	2,662
01/01/2004-12/31/2004	1,292	-4	-	1,288
Profit/loss from investments				
01/01/2005-12/31/2005	-12,369	66	-	-12,303
01/01/2004-12/31/2004	-12,930	182	-	-12,748
Personnel expenses				
01/01/2005-12/31/2005	32,604	4,919	-	37,523
01/01/2004-12/31/2004	25,007	4,651	-	29,658
Other administrative expenses				
01/01/2005-12/31/2005	62,341	8,198	-	70,539
01/01/2004-12/31/2004	52,607	6,567	-	59,174
Depreciation/amortization of property, plant and equipment and other intangible assets				
01/01/2005-12/31/2005	8,016	688	-	8,704
01/01/2004-12/31/2004	6,572	726	-	7,298
Administrative expenses				
01/01/2005-12/31/2005	102,961	13,805	-	116,766
01/01/2004-12/31/2004	84,186	11,944	-	96,130
Restructuring and integration expenses				
01/01/2005-12/31/2005	3,400	-	-	-
01/01/2004-12/31/2004	-	-	-	-
Net other operating income/expenses				
01/01/2005-12/31/2005	4,652	-127	-	4,525
01/01/2004-12/31/2004	6,687	470	-	7,157
Amortization (and impairment) of goodwill				
01/01/2005-12/31/2005	-	-	-	-
01/01/2004-12/31/2004	-	1,472	-	1,472
Net other income/expenses				
01/01/2005-12/31/2005	8,365	-13	-	8,352
01/01/2004-12/31/2004	-	-12	-	-12
Result before taxes				
01/01/2005-12/31/2005	18,749	5,142	-	23,891
01/01/2004-12/31/2004	14,379	1,736	-	16,115

**Segment report
(IFRS)**

For the period
January 1 to December 31, 2005

Balance Sheet by region

in k€	Deutschland	Austria	Consolidation	Group
Cash reserve and receivables from banks				
12/31/2005	384,061	43,383	-	427,444
12/31/2004	393,177	59,129	-	452,306
Receivables from customers, less provisions for possible losses				
12/31/2005	416,362	54,228	-	470,590
12/31/2004	393,776	31,000	-	424,776
Trading assets				
12/31/2005	39,682	-	-	39,682
12/31/2004	46,587	-	-	46,587
Liabilities to banks				
12/31/2005	98,643	3,609	-	102,252
12/31/2004	77,171	729	-	77,900
Liabilities to customers				
12/31/2005	1,936,097	219,998	-	2,156,095
12/31/2004	1,640,260	191,367	-	1,831,627
Trading liabilities				
12/31/2005	14,758	-	-	14,758
12/31/2004	41,872	-	-	41,872

Further particulars by region

	Germany	Austria	Group
Cost-Income-Ratio (in%)			
01/01/2005-12/31/2005	85.0	72.9	83.4
01/01/2004-12/31/2004	85.4	78.8	84.5
Investments in property, plant and equipment and intangible assets (in k€)			
01.01.2005-31.12.2005	19,284	1,237	20,521
01.01.2004-31.12.2004	14,896	530	15,426
Employees (headcount)			
12/31/2005	549	102	651
12/31/2004*	552	87	639
Trades (number)			
01/01/2005-12/31/2005	8,954,706	540,056	9,494,762
01/01/2004-12/31/2004*	7,226,759	383,978	7,610,737
Securities accounts (number)			
12/31/2005	919,648	36,072	955,720
12/31/2004*	828,328	30,023	858,351

* Pro forma values including FondsServiceBank.

Other disclosures

>> 59 Notes on financial instruments according to IAS 32

According to IAS 32, the fair values of financial instruments are the amounts at which an asset could be exchanged or a liability settled on the balance sheet date between knowledgeable, willing partners in an arm's length transaction.

Depending on the category, the financial instruments held by us are valued in relation to the balance sheet date either at the fair value or at amortized costs.

Listed market prices are applied for exchange-traded securities and exchange-traded debt instruments.

The fair values of certain financial instruments carried at amortized cost are nearly identical to their carrying amounts. Such cases include the cash reserve, the receivables and payables of the group and the participating interests of the group subsidiary direktanlage.at AG. The fair values of other commitments are equivalent to their carrying amounts.

Carrying amounts and fair values of the financial instruments held at the balance sheet date break down as follows:

in k€	12/31/2005		12/31/2004	
	Fair value	Book value	Fair value	Book value
Cash reserve	46,122	46,122	34,163	34,163
Accounts receivable from banks	381,238	381,322	418,159	418,143
Loans and advances to customers (including loan loss provisions)	484,388	470,590	445,837	424,776
Trading assets	39,682	39,682	46,587	46,587
Financial assets	1,432,326	1,432,326	1,119,571	1,119,571
Other assets*	20,400	20,400	722	722
Liabilities from banks	105,236	102,252	81,811	77,900
Liabilities from customers	2,166,846	2,156,095	1,848,657	1,831,627
Trading liabilities	14,758	14,758	41,872	41,872
Subordinated capital	10,002	10,002	8,148	8,154
Other liabilities*	4,575	4,575	1,626	1,626

* Receivables and trade payables

>> 60 Regulatory disclosures (based on German Commercial Code rules)

Pursuant to §§10, 10a KWG (German Banking Act) in conjunction with the bank regulatory Principle I, the core capital ratio (core capital/weighted risk assets) may not be less than 4% and the equity ratio (liable equity/weighted risk assets) may not be less than 8%. Furthermore, the so-called equity funds ratio according to § 2 Principle I must also be observed. It is calculated as the percentage ratio of equity funds to the sum of weighted risk assets plus the creditable amounts for the market risk positions and option transactions, multiplied by 12.5. It must be at least 8%.

Since October 31, 2005, DAB bank AG voluntarily makes a consolidated report for the DAB bank Group in accordance with §10 (6)(3). Thus, at December 31, 2005, the liable equity of the DAB bank Group in the amount of €72 million consists of core capital in the amount of €64 million and supplementary capital in the amount of €8 million. The reason for the increase in the supplementary capital is that DAB bank AG has accepted an additional subordinate loan in the amount of €8 million from Bayerische Hypo- und Vereinsbank AG. According to the terms of §10 (5a), the subordinate loan is applied as supplementary capital. A previously shown subordinate loan in the nominal amount of €6 million was repaid when due on August 18, 2005. The weighted risk assets amount to €735 million. The market risk positions amount to €4 million. They are composed of currency risks in the amount of €1 million and the net interest rate positions in the amount of €1 million and net equity positions in the amount of €2 million. The equity funds stated in the adopted annual financial statements, the risk assets and the market risk positions at December 31, 2005 are presented below:

in € mn	2005	2004
Risk assets	735	785
Market risk positions	4	1
Core capital	64	125
Supplementary capital	8	4
Eligible equity	72	129
Capital ratio as per Principle I German Banking Act	9.8%	16.4%
Overall ratio as per Principle I of German Banking Act	9.2%	16.2%

For comparability purposes, the figures for 2004 relate to the DAB bank Group on a pro forma basis.

With an equity ratio of 9.8%, the DAB bank Group is adequately endowed with equity capital.

>> 61 Significant concentrations of assets and liabilities

The assets and liabilities of the DAB bank Group do not show any significant concentrations. More detailed information on the risks of our business is presented in the Risk Report.

>> 62 Contingent liabilities and other obligations

in k€	12/31/2005	12/31/2004
Contingent liabilities		
from guaranties and warranty agreements	280	1,335
Other liabilities		
from rental agreements	30,403	7,356
from leasing agreements	18,768	21,255
Total	49,451	29,946

The terms of rental and lease agreements are customary for the market and burdens have not been shifted to future fiscal years. The increase in obligations from rental contracts is in connection with the move of DAB bank AG into a new rented building in the course of fiscal 2006 and/or 2007.

>> 63 Group Membership

As of December 31, 2005, UniCredito Italiano S.p.A., Genoa, Italy, indirectly holds, and Bayerische Hypo- und Vereinsbank AG, Munich, directly holds 76.36 % of the shares in DAB bank AG.

The consolidated financial statements of DAB bank AG at December 31, 2005, were prepared as exempting financial statements in conformity with the International Financial Reporting Standards (IFRS/EU) pursuant to §315a (1) HGB in conjunction with §291 (3)(1)(1) HGB, and are included through the

subgroup consolidated financial statements of Bayerische Hypo- und Vereinsbank AG, Munich, in the consolidated financial statements of UniCredito Italiano S.p.A., Genoa, Italy.

>> 64 Letter of comfort

Political risks excluded, DAB bank AG, Munich, has undertaken to ensure that direktanlage.at AG, Salzburg, is capable of meeting its contractual obligations, within the limit of DAB's share in the equity of direktanlage.at AG.

>> 65 Events after the balance sheet date

Effective at the end of March 9, 2006, Ms. Christine Licci of Schindeleggi, Switzerland, has resigned her office as a member of the Supervisory Board and her chairmanship of the Supervisory Board.

>> 66 Related party disclosures

Compensation paid to members of the supervisory Board and Management Board

in k€	Fixed component		Performance related components		Components with a long-term incentive effect		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Management Board	480	682	500	866	-	-	980	1,548
Supervisory Board	77	75	32	29	-	-	109	104
Total	557	757	532	895	-	-	1,089	1,652

The remuneration paid to the individual members of the Management Board and the Supervisory Board in the reporting period is broken down below for fiscal year 2005:

Remuneration paid to the individual members of the Management Board and the Supervisory Board

in k€	Fixed component	Performance related components	Components with a long-term incentive effect	Total
Management Board				
Jens Hagemann	240	250	-	490
Alexander von Uslar	240	250	-	490
Supervisory Board				
Nikolaus Barthold	12	5	-	17
Gunter Ernst	10	4	-	14
Dr. Stefan Jentzsch	4	2	-	6
Dr. Volker Jung	12	5	-	17
Christine Licci	12	5	-	17
Johannes Maret	12	5	-	17
Andreas Wölfer	15	6	-	21
Total	557	532	-	1,089

During the reporting period and the comparison period, the compensation of the members of management in key positions consists exclusively of payments with short-term due dates. No additional payments were made within the meaning of IAS 24.16. The group of these members comprises all members of the Management Board and the Supervisory Board. The payments with short-term due dates correspond to each individual's overall compensation as already described.

At the balance sheet date, no advances or loans have been extended and no contingent liabilities exist in relation to members of the Management Board or the Supervisory Board:

Loans and advances to members of the Supervisory Board and Management Board of DAB bank AG			
in k€	2005	2004	
Management Board	-	-	
Supervisory Board	-	13	
Total	-	13	

Members of the Supervisory Board received no remuneration in fiscal year 2005 for the services they rendered personally.

In the reporting year, business relationships existed with the following companies included in the consolidated financial statements of our highest-level parent company, UniCredito Italiano S.p.A.:

- Activest Investmentgesellschaft mbH, Munich
- Activest Investmentgesellschaft Luxembourg SA, Luxembourg
- Asset Management GmbH, Vienna
- Bank Austria Creditanstalt Aktiengesellschaft, Vienna
- Bayerische Hypo- und Vereinsbank AG, Munich
- BodeHewitt AG & Co. KG, Grünwald
- Financial Markets Service Bank GmbH, Munich
- H.F.S. Fondsbeteiligung für Sachwerte GmbH, Munich
- HVB Informations-Verarbeitungs-GmbH, Munich
- HVB Payments & Services GmbH, Aschheim/Dornach
- HVB Systems GmbH, Unterföhring
- HVB Wealth Management Holding GmbH, Munich
- INDEXCHANGE Investment AG, Munich
- Nordinvest Norddeutsche Investment-Gesellschaft mbH, Hamburg
- Schoellerbank Aktiengesellschaft, Vienna

Business relationships of a material nature to affiliated companies are as follows:

in k€	Income		Expenses	
	2.005	2.004	2.005	2.004
Companies included in the UniCredito Italiano Group with significant influence:				
Bayerische Hypo- und Vereinsbank AG	5,593	3,431	2,070	716
Other companies included in the UniCredito Italiano Group:				
Activest Investmentgesellschaft mbH	1,336	646	-	-
Financial Markets Service Bank GmbH	2	17	2,030	9,949
HVB Informations-Verarbeitungs-GmbH	-	-	1,494	1,497
HVB Systems GmbH	-	-	246	836
Nordinvest Norddeutsche Investment-Gesellschaft mbH	777	363	-	-

in k€	Receivables		Payables	
	2.005	2.004	2.005	2.004
Companies included in the UniCredito Italiano Group with significant influence:				
Bayerische Hypo- und Vereinsbank AG	282,688	350,781	18,205	3,803
Other companies included in the UniCredito Italiano Group:				
Activest Investmentgesellschaft mbH	452	161	-	-
Financial Markets Service Bank GmbH	-	3,521	20	111
HVB Informations-Verarbeitungs-GmbH	-	-	-	-
HVB Systems GmbH	-	-	-	-
Nordinvest Norddeutsche Investment-Gesellschaft mbH	292	90	-	-

All transactions were processed at market-driven terms and comprise banking and non-banking delivery and service relationships, and/or the utilization of IT and outsourcing services.

>> 67 Employees

Average number of employees		
	2005	2004
Total number of employees (individuals)	646	549

>> 68 Members of the Supervisory Board and the Management Board

Members of the Supervisory Board of DAB bank AG:

Dr. Stefan Jentzsch (Chairman through March 8, 2005)
Management Board of Bayerische Hypo- and Vereinsbank AG, Munich
Group Management Board, Corporates & Markets segment

Christine Licci (Chairperson of the board since May 13, 2005)
Person of independent means

As of December 31, 2005, Ms. Christine Licci also served on the following other legally prescribed supervisory boards of German companies:

- HVB Direkt Gesellschaft für Direktservice und Direktvertrieb mbH, Munich, Chairperson of the Supervisory Board *)

As of December 31, 2005, Ms. Christine Licci also was a member of the following comparable boards of domestic and foreign companies:

- HVB Banque Luxembourg S. A., Luxembourg, Vice President of the Board of Directors *)

Andreas Wölfer (Vice Chairman)

Management Board of Bayerische Hypo- and Vereinsbank AG, Munich
Wealth Management (Private Clients, Family Office)

As of December 31, 2005, Mr. Andreas Wölfer also served on the following other legally prescribed supervisory boards of German companies:

- Activest Investmentgesellschaft mbH, Munich, Chairman *)
- HVB Finanzberatung GmbH, Munich, Chairman of the Board of Directors *)
- Planethome AG, Munich, Chairman of the Supervisory Board *)
- Nordinvest Norddeutsche Investment Gesellschaft mbH, Hamburg, Vice Chairman *)

As of December 31, 2005, Mr. Andreas Wölfer also was a member of the following comparable boards of domestic and foreign companies:

- Activest Investmentgesellschaft Luxembourg SA, Luxembourg, Chairman of the Board of Directors *)
- HVB Capital Management Inc., New York, Chairmain of the Supervisory Board *)
- Capital Invest Kapitalanlagegesellschaft, Vienna, Member of the Supervisory Board *)
- Asset Management GmbH, Vienna, Member of the Supervisory Board *)

Nikolaus Barthold

Senior Manager, Customer and Account Service, DAB bank AG, Munich

As of December 31, 2005, Mr. Nikolaus Barthold was not a member of any other legally prescribed supervisory boards of German companies, nor a member of comparable boards of domestic or foreign companies.

Gunter Ernst

Person of independent means

As of December 31, 2005, Mr. Gunter Ernst also served on the following other legally prescribed supervisory boards of German companies:

- Dyckerhoff AG, Wiesbaden
- Gütermann AG, Gutach, Vice Chairman
- Westfalenbank AG, Bochum, Chairman
- Schwäbische Bank AG, Stuttgart
- Wüstenrot & Württembergische AG, Stuttgart

As of December 31, 2005, Mr. Gunter Ernst was not a member of comparable boards of domestic and foreign companies.

Dr. Eng. h.c. Volker Jung

Person of independent means

As of December 31, 2005, Dr. Volker Jung also served on the following other legally prescribed supervisory boards of German companies:

- Messe München GmbH, Munich
- Vattenfall Europe AG, Berlin

As of December 31, 2005, Dr. Volker Jung also was a member of the following comparable boards of domestic and foreign companies:

- INTRACOM S.A., Athens/Greece (Board of Directors)

Johannes Maret

Managing Director, Nordwind Capital, Cologne

As of December 31, 2005, Mr. Johannes Maret also served on the following other legally prescribed supervisory boards of German companies:

- MLP AG, Heidelberg

As of December 31, 2005, Mr. Johannes Maret also was a member of the following comparable boards of domestic and foreign companies:

- The Triton Fund, Jersey, Investment Committee Member
- Gebrüder Rhodius KG, Burgbrohl, Chairman of the Advisory Board
- Xchanging Ltd, London, Non Executive Director

Members of the Management Board of DAB bank AG:**Jens Hagemann**

Responsible for Sales, Controlling, Operations and Trading/Treasury

As of December 31, 2005, the following mandates also existed:

Member of the Supervisory Board:

- direktanlage.at AG, Salzburg, Chairman *)

Alexander von Uslar

Responsible for Finance, Risk Controlling, Corporate Communication, Personnel, IT, and Back Office

As of December 31, 2005, the following mandates also existed:

Member of the Supervisory Board:

- direktanlage.at AG, Salzburg *)
- Community Concepts AG i.L., Munich, Vice Chairman *)

*) Each of these is a Group mandate of UniCredito Italiano S.p.A., Genoa, Italy.

>> 69 Changes in the Management Board and Supervisory Board

Management Board:

There were no changes in the Management Board in 2005.

Supervisory Board:

Dr. Stefan Jentzsch has resigned from his office as Chairman of the Supervisory Board and his mandate as a member of the Supervisory Board of DAB bank AG effective March 8, 2005. On May 13, 2005, Ms. Christine Licci was elected by the annual meeting of stockholders of DAB bank AG as a member of the Supervisory Board for the remainder of the term of Dr. Stefan Jentzsch. On May 13, 2005, the Supervisory Board elected Ms. Christine Licci as Chairperson of the Supervisory Board of DAB bank AG.

>> 70 Shareholdings of members of the Management Board and the Supervisory Board

	Shares held at 12/31/2005	Options held at 12/31/2005
Management Board		
Jens Hagemann	-	-
Alexander von Uslar	-	-
Supervisory Board		
Nikolaus Barthold	3,500	-
Gunter Ernst	-	-
Dr. Volker Jung	-	-
Christine Licci	-	-
Johannes Maret	-	-
Andreas Wölfer	-	-
Treasury stock	-	-

>> 71 Share purchases and sales

	Members of the Management Board of DAB bank AG	Members of the Supervisory Board of DAB bank AG
Shares purchased by DAB bank AG	-	-
Shares sold by DAB bank AG	-	581
Derivatives of DAB bank AG shares	-	-

>> 72 Relationships between the auditor and DAB bank AG

in k€	01/01/2005- 12/31/2005	01/01/2004- 12/31/2004
Fees paid for:		
The audit	317	279
Other certification and valuation services	-	92
Tax consulting services	-	-
Other services	-	-
Total	317	371

Due to a change in auditor, the figures shown for fiscal 2005 relate to Ernst & Young AG Wirtschaftsprüfungsgesellschaft, and those for fiscal 2004 to BDO Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

>> 73 Timing of release for publication

The present consolidated financial statements will be provided to the Supervisory Board on March 13, 2006, for approval and taking of notice with consent.

Munich, February 20, 2006
DAB bank AG

Jens Hagemann
Vorstand

Alexander von Uslar
Vorstand

>> Auditors' Report*

We have audited the consolidated financial statements prepared by the DAB bank AG, Munich, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 01/01/2005 to 12/31/2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 24, 2006

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Müller-Tronnier Bauer
Independent Auditor Independent Auditor

*Courtesy translation: the German Auditors' Report refers to the German Financial Review and the German Financial Statements only.

Five-year summary of consolidated income statements (IFRS)

in k€	2001*	2002*	2003	2004	2005
Interest income	90,166	76,386	71,246	75,401	76,871
Interest expenses	57,258	44,003	28,797	30,324	36,289
Net interest income	32,908	32,383	42,449	45,077	40,582
Provisions for possible losses	5,455	2,302	618	-1,137	-115
Net interest income after provisions for possible losses	27,453	30,081	41,831	46,214	40,697
Commission income	89,708	76,938	92,049	98,221	156,650
Commission expenses	25,198	21,888	22,740	26,403	56,526
Net commission income	64,510	55,050	69,309	71,818	100,124
Trading profit	-50	-2,302	487	1,288	2,662
Profit/loss from investments	-156,300	-6,712	-11,576	-12,748	-12,303
Personnel expenses	34,493	35,824	29,120	29,658	37,523
Other administrative expenses	97,957	89,236	57,640	59,174	70,539
Depreciation/amortization of property, plant and equipment and intangible assets	10,983	16,416	7,722	7,298	8,704
Administrative expenses	143,433	141,476	94,482	96,130	116,766
Restructuring and integration expenses	-	-	-	-	3,400
Net other operating income/expenses	8,356	7,361	9,272	7,157	4,525
Amortization (and impairment) of goodwill	-	681	1,472	1,472	-
Net other income/expenses	-	-3	-12	-12	8,352
Result before taxes	-199,464	-58,682	13,357	16,115	23,891
Income taxes	-22,116	11,799	585	-8,634	4,623
Net profit/loss	-177,348	-70,481	12,772	24,749	19,268
Allocation of net profit/loss to retained earnings	-	-	-	13,471	5,734
Consolidated profit/loss	-177,348	-70,481	12,772	11,278	13,534

* The figures for 2001 relate to DAB bank AG, while the figures for 2002 represent pro forma Group figures and relate to DAB bank AG, direktanlage.at AG, and the DIRFONDS special fund. DIRFONDS was merged into DAB bank AG effective January 1, 2004.

Quarterly summary of consolidated income statements (IFRS)

in k€	4th quarter 2004*	1th quarter 2005	2th quarter 2005	3th quarter 2005	4th quarter 2005
Interest income	15.771	15.419	19.659	23.296	18.497
Interest expenses	7,769	8,192	8,897	9,978	9,222
Net interest income	8,002	7,227	10,762	13,318	9,275
Provisions for possible losses	-1,312	216	-202	98	-227
Net interest income after provisions for possible losses	9,314	7,011	10,964	13,220	9,502
Commission income	24,578	31,592	32,043	37,860	55,155
Commission expenses	6,610	7,842	10,360	14,757	23,567
Net commission income	17,968	23,750	21,683	23,103	31,588
Trading profit	419	411	461	595	1,195
Profit/loss from investments	-389	997	-3,036	-5,251	-5,013
Personnel expenses	8,196	9,115	9,140	9,122	10,146
Other administrative expenses	15,136	15,295	17,773	18,734	18,737
Depreciation/amortization of property, plant and equipment and intangible assets	2,101	3,227	2,910	3,040	-473
Administrative expenses	25,433	27,637	29,823	30,896	28,410
Restructuring and integration expenses	-	3,400	-	-	-
Net other operating income/expenses	2,466	475	2,207	3,027	-1,184
Amortization (and impairment) of goodwill	368	-	-	-	-
Net other income/expenses	-3	7,979	-6	-2	381
Result before taxes	3,974	9,586	2,450	3,796	8,059
Income taxes	-10,361	1,620	469	1,211	1,323
Net profit/loss	14,335	7,966	1,981	2,585	6,736
Allocation of net profit/loss to retained earnings	13,471	-	-	-	5,734
Consolidated profit/loss	864	7,966	1,981	2,585	1,002

* Due to the requirements of the final revised version of IAS 39 that was passed, we no longer provide any presentation of adjusted prior year values (explained in detail in the changes to the balancing, valuation, and documentation methods on page 69).

Glossary

B2B (business to business)

The business with asset managers, fund brokers, and financial intermediaries, as well as their end customers, is part of DAB bank's B2B business. The services of FondsServiceBank also are part of the B2B business.

B2C (business to customer)

DAB bank's B2C business comprises business with private customers.

Basel II

"Basel I" is the term used to describe the regulatory standards for the equity backing of bank transactions, that were first promulgated in 1988. These regulations were revised by the Basel Committee. The new regulation text is called "Basel II" for short. In Basel II, equity backing, which previously had been set using a relatively broad flat rate approach, is supposed to be oriented more closely to the bank's actually existing risk. For this purpose, the backing is to be guided in the future particularly by the (external or bank-internal) rating of the borrowers. At the same time, collateral provided by the borrower is to be taken into account differently and more differentially than before. In the future, banks are also expected to back operational risks with equity.

Capital ratio

Pursuant to Section 10 (2)(1) of the Banking and Credit Regulation Act (KWG), assets are composed of liable equity capital (Section 10 (2)(2) KWG) as well as Tier III capital. Pursuant to Section 10 (2c) KWG, Tier III capital is considered to be the proportionate profit that would result after realization of all trading book positions, as well as short-term subordinated liabilities according to Section 10 (7) KWG (e.g., bearer bonds).

Core Banking System

The core banking system is understood to mean the new system that we integrated into our IT platform in 2005. Using this system, we are in a position to significantly expand our offerings involving account and card business.

Cost Income Ratio

The Cost Income Ratio is defined as the relationship between the management expenses and the sum of the net interest income after credit risk provision, net commission income, trading result, financial asset result, balance of other operating income and expenses, and the balance of other income and expenses; a low C/I ratio shows high productivity.

DAB Secondary Trading

DAB secondary trading denotes off-market trading, and makes it possible to purchase and sell securities directly at the issuer. Special advantages: Prices are provided in real time, and investors can trade far beyond the opening times of the stock markets, on weekdays from 8 a.m. to 11 p.m., Saturdays from 10 a.m. to 1 p.m., and Sundays from 5 p.m. to 7 p.m. In addition, market-related costs such as broker's commissions are not charged.

Financial Intermediaries

Financial intermediaries are asset managers licensed by the Federal Financial Services Supervisory Authority (BaFin), fund brokers, and institutional customers.

Financial Result

The financial result is defined as the sum of net interest income before credit risk provision, trading result, and net income from investments.

High-Frequency Trader Discount

Starting with the 100th transaction eligible for discount in a calendar half year period, DAB bank grants a discount of 30 % on the base fee of every further transaction eligible for discount.

Income separate from the stock exchanges

Income separate from the stock exchanges includes the financial result and the following components of commission income: commissions from existing portfolios, custodianship fees, commissions from payment transactions, income from active sales and commissions from foreign currency transactions.

Net Profit

The net profit of a stock corporation is determined in the appropriation of net income statement and results from the net income for a year being increased or decreased by profit or loss carryforwards from the prior year, withdrawals from or allocations to reserves, and dividends.

Order

The issuance of a commission for the purchase or sale of securities is called an order.

Return on Equity

A key figure of the balance sheet analysis, where income before taxes is set in relation to average equity capital; it shows how the capital invested by the company or the owners has yielded interest.

Risk Management

The operational business management of specific portfolios from a risk/return perspective.

Risk-Weighted Assets

In order to be able to represent under supervisory law the address risks of fixed asset accounting resulting from the various credit ratings of the issuers or business partners, assets and off-balance-sheet transactions (such as guarantees and warranties for assets), as well as forward trading, swaps, and option rights are risk-weighted using (credit risk) weighting factors dependent on the credit rating class of the issuer or business partner. Under Principle I, these risk-weighted assets are to be backed by 8% liable equity capital (to the risks in the market price risk position trading book).

Star Partner

Due to its cooperation with its renowned Star Partners, DAB bank offers its customers special offers and terms. For instance, investors in funds from the Star Partners Actinvest, Gartmore, DIT, Julius Bär, UBS, Threadneedle, and Nordea always receive a discount of at least 50 % on the issuing premium. Investors at DAB bank can trade warrants and certificates from Sal. Oppenheim, Goldman Sachs, and Commerzbank for only a € 6.95 flat fee per transaction.

Trading Screens

The trading screens are the on-line forms into which investors on the Internet type their securities orders.

Transaction

The performance of a commission for the purchase or sale of securities is called a transaction.

Supervisory Board

Andreas Wölfer
(Vice-Chairman of the Supervisory Board)

Nikolaus Barthold

Gunter Ernst

Dr. Volker Jung

Johannes Maret

Management Board

Jens Hagemann

Alexander von Uslar

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