



## Highlights of 2006

### ▶▶ DAB bank earns the best pretax profit in its history

DAB bank generated a pretax profit of €35.0 million in 2006, beating its own profit target of €33.0 million. It is also the second year in a row that DAB bank has managed to increase its pretax profit by roughly 50% over the previous year.

### ▶▶ Dividend increase to 29 cents per share proposed

As in prior years, shareholders will again share in the success of DAB bank. At the annual shareholders' meeting to be held later in the year, the Management Board and Supervisory Board will propose increasing the dividend by 11 cents to 29 cents per share.

### ▶▶ Customer assets reach new record level

With groupwide customer assets of €29.6 billion, DAB bank easily beat its own target of €28.0 billion and set a new record.

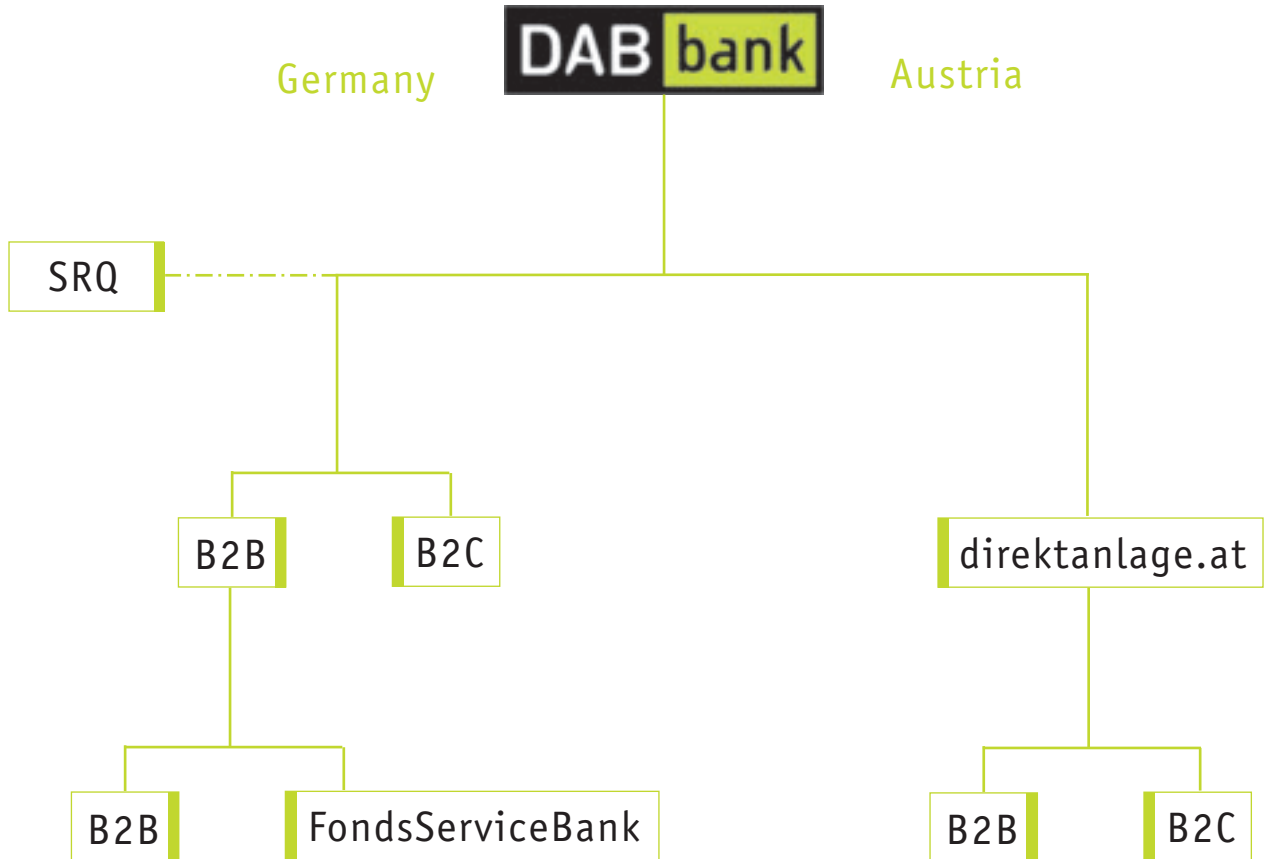
### ▶▶ Customer accounts cross the one million mark

At December 31, DAB bank carried a groupwide total of 1,018,519 securities accounts, crossing the magical one-million mark for the first time.

### ▶▶ Pretax profit of Austrian subsidiary direktanlage.at jumps more than 80%

DAB bank's Austrian subsidiary generated a pretax profit of €9.4 million, almost twice as high as the prior-year figure. Customer assets at year-end 2006 amounted to €2.35 billion, crossing the €2 billion mark for the first time.

## Overview of DAB bank group



## Key Figures of DAB bank Group (IFRS)

		2006	2005	Changes in %	Page
<b>Results</b>					
Net commission income	k€	128,590	100,124	28.4	46, 78, 90
Net financial income	k€	30,275	30,941	-2.2	46, 78, 90, 91
Administrative expenses	k€	129,037	116,766	10.5	47, 78, 91
Result before taxes	k€	35,006	23,891	46.5	47, 78
Pretax profit	k€	21,971	19,268	14.0	48, 78
Added value	k€	72,939	61,427	18.7	95
Cost-income ratio	in %	78.7	83.4	-5.6	48, 110
Return on equity before tax	in %	20.2	14.4	40.3	-
<b>Balance Sheet</b>					
Total assets	€ mn	3,361.9	2,510.5	33.9	49, 79
Shareholders' equity	€ mn	177.6	169.6	4.7	49, 79, 80
Principle I ratio (German Banking Act)	in %	10.0	8.8	13.6	49, 112
<b>Share</b>					
Earnings per share	€	0.29	0.26	11.5	78, 94
Dividend per share	€	0.29	0.18	61.1	46, 94
End of year share price (Xetra)	€	7.00	6.80	2.9	12
Book value per share	€	2.12	2.01	5.5	12
Dividend yield	in %	4.1	2.6	57.7	12
Total shareholder return	in %	7.8	26.4	-70.5	12
Market capitalization	€ mn	526.3	511.3	2.9	12
<b>Key operating figures</b>					
Securities accounts	number	1,018,519	955,720	6.6	42
Volume of securities accounts and deposits	€ bn	29.63	24.98	18.6	44
Trades	number	10,890,064	9,494,762	14.7	42
Trades per securities account per year	number	11.03	10.47	5.3	43
<b>Employees</b>					
Employees (headcount)	number	646	675	-4.3	50
Employees (full-time basis)	number	580	598	-3.0	50

The grass  
is  
greener at  
DAB bank!

*Confident*

*convincing* and

*well-positioned* for the **future**

**We are confident:**

DAB bank was founded in 1994 as Germany's first discount broker. After many years of continually marketing innovative investment solutions, always tailored to the needs and wishes of our customers, DAB bank today is a direct bank offering the highest level of service and product quality. For this reason, and also thanks to the hard work and dedication of our intensely motivated employees, more than 1 million customers have placed their trust in DAB bank. No other direct bank has more securities accounts or a greater volume of customer assets in its accounts. DAB bank is the No. 1 direct bank for securities-related services, both in Germany and in Austria.

**We are convincing:**

The customer groups we serve have much different needs. DAB bank offers tailored solutions for individual investors and professionals, beginners and pros, savers and traders alike. Our strategy is to provide comprehensive advice to our customers through a network of licensed, experienced financial experts, together with an extensive product offering. In fact, ours is the broadest product range of any unaffiliated broker in Germany. True to our claim, we will continue to provide the highest-quality products and services to our customers at reasonable prices.

**We are well-positioned:**

To secure the tremendous growth potential of our business, we will continue to serve business customers and individual investors alike. Backed by our clear positioning as a provider of top-quality products and services at reasonable prices, our single-minded focus on the core business of securities trading and our ongoing commitment to efficient, customer-friendly business structures, we will continue to generate profitable growth as the market leader. As a member of an international financial services group, we also intend to broaden our horizons beyond the markets of Germany and Austria.

**We have solutions for the future.**

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Jens Hagemann, Alexander von Uslar  
Management Board

*To our shareholders, customers, and business partners,*

DAB bank's performance last year was a complete success in every respect. At € 35.0 million, the pretax profit for 2006 was a new record for DAB bank. Also, it was the second year in a row that we managed to increase the bank's pretax profit by roughly 50% over the previous year. Also, the pretax profit for 2006 was well beyond the stated profit target of €33 million. These figures make it very clear that DAB bank has continued successfully on a profitable course of growth. Our shareholders can expect to benefit from this success, as the Management Board, in conjunction with the Supervisory Board, will propose increasing the dividend from 18 cents per share to 29 cents per share at the upcoming annual shareholders meeting.

#### **Impressive gains in key value drivers**

The buoyant sentiment and intense trading volumes in the German stock exchanges naturally had a positive effect on our core business. On a groupwide basis, DAB bank executed about 10.89 million trades for its customers (5.07 million excluding FondsServiceBank), representing a gain of about 15% over 2005 (30% excluding FondsServiceBank). We also registered impressive growth in the number of customer securities accounts, with a net gain of 62,799, bringing the total to 1,018,519 customer securities accounts, well beyond the symbolically momentous threshold of one million accounts. From 2005 to 2006, the volume of customer assets held in our accounts increased €4.65 billion, or roughly 19%, to reach the new record level of €29.63 billion, easily beating our stated goal of €28 billion. Thus, DAB bank has asserted its status as the No. 1 direct bank for securities-related services in Germany and Austria. Moreover, our proactive sales program continued to bear fruit in 2006, as our customers ordered products worth a total of about €637 million.

DAB bank's Austrian subsidiary direktanlage.at reported record results for the third year in a row. At €9.4 million, the subsidiary's pretax profit was nearly twice as high as the prior-year figure. Other key performance indicators were reflective of steady, uninterrupted growth at direktanlage.at. For example, the trades executed for customers were up 59%, at 858,722, and the number of customer securities accounts, at 42,263, showed a net gain of 6,191 over the previous year. Customer assets swelled by more than one third to reach €2.35 billion.

## The grass is greener at DAB bank

For about a year now, DAB bank has presented itself in a new color, a bright fresh green. Besides enhancing the recognition and familiarity of the DAB bank brand, the color change sends a clear signal to our shareholders, business partners and most especially our customers, that the grass is greener at DAB bank. This message is being supported by 56 product campaigns tailored to current market conditions. Take the new Vietnam certificate, for example: Launched in October, its value jumped 45% during the subscription phase alone.

We broadened the bank's product offering in other areas as well. For instance, five new partners signed on to our OTC trading platform Sekunden-Handel, so that now our customers can trade more than 90,000 products of more than 21 partners, at a reasonable cost, even when the stock exchanges are closed. Also, to accommodate the frequently expressed wish of our customers to handle their day-to-day banking business with us, we introduced the DAB checking account, with ec card and credit card, in the autumn of last year. With this service, our customers can access their money from more than 7,000 automated teller machines of the CashGroup.

In 2006 we continued to engage in intensive communication with our customers, via the Internet, by e-mail, telephone and in personal meetings. As part of our multi-channel strategy, we alerted our customers to new product offerings by sending out approximately 1.3 million letters, more than three million e-mails and approximately one million phone calls in the period from January to December 2006. In addition, we kept our customers informed of the latest stock market trends and developments in our monthly, no-cost investor magazine.

## Acquisition of a majority interest in SRQ FinanzPartner AG

About one third of our individual investors are in need of personalized financial planning advice. Since mid-2005, we have satisfied this need of our customers through a cooperative venture with Berlin-based SRQ FinanzPartnerAG (SRQ). In view of the constantly growing demand for these kinds of services, DAB bank took the next logical step in November 2006, by acquiring a majority interest of 52.52% in SRQ. By means of this acquisition, we have secured our B2C customers permanent access to the independent and objective financial advice of SRQ. Considering that SRQ is one of Germany's fastest-growing asset management advisory firms, the acquisition also represents a most attractive investment for DAB bank.



Jens Hagemann





Alexander von Uslar

### Asset management is driving growth in our markets

The growth we have witnessed in our B2B business with asset managers, fund brokers and institutional investors is indicative of the fact that the demand for independent asset management and financial planning services is on the rise in Germany. In the twelve-month period from January to December 2006, DAB bank increased its B2B partner relationships from 901 to 959, and the volume of customer assets deposited by these customers increased by nearly one third, from €9.33 to €12.27 billion.

FondsServiceBank also attained a key development milestone in 2006. Following the successful migration of FSB's customer accounts, they are now being administered on DAB bank's platform. At year-end 2006, FondsServiceBank had 484,946 custody accounts comprising investment fund assets of €6.74 billion.

Dear shareholders, customers and business partners, let us now turn our attention to the future, having reviewed the record performance of DAB bank in 2006. We intend to continue on a course of profitable growth and further extend our market leadership position in 2007. We will continue to work towards the goal of further reducing the bank's cost-income ratio, which fell to 78.7% at year-end 2006 – below the 80% mark, as promised. We intend to reduce the cost-income ratio to less than 75% by the end of 2007. Otherwise, we will continue pursuing our strategy of profitable growth. Among the goals we have set for 2007, we want to increase the bank's pretax profit to €45 million and raise the volume of customer assets to €33 billion.

We certainly hope that you will accompany us, the No. 1 direct bank for securities-related services, as we continue on a course of profitable growth!

Jens Hagemann  
Member of the Management Board

Alexander von Uslar  
Member of the Management Board

**Dear shareholder:**

The strategy of DAB bank is geared to profitable, lasting growth. As in prior years, numerous steps were taken in 2006 to pursue and implement this strategy. In particular, steps were taken to intensify the company's multi-channel, proactive sales program, expand its customer base, broaden its range of products and services and increase the volume of customer assets under custody.

**Meetings and topics of discussion**

The Supervisory Board devoted particular attention to the situation and development of DAB bank and continuously monitored the activities of the management in 2006. To this end, the Management Board provided us with timely, detailed information on a regular basis, both in writing and orally. In accordance with the applicable laws and the German Corporate Governance Code, we advised and supported the Management Board on the continued strategic development of the company in general and on specific issues of key importance. We were consulted at an early stage with regard to all important decisions.

The Supervisory Board held five regular meetings in 2006. At these meetings, the Management Board informed us of the current business situation and development of the company, as well as its business policies, strategies and plans and important developments. Between meetings, the Management Board kept us informed of important events. In addition, the Management Board kept the Supervisory Board Chairman informed of important developments and pending decisions. 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 the applicable laws and the company's articles of incorporation and bylaws.



Andreas Wölfer  
Chairman of the Supervisory Board



Matthias Sohler  
Vice Chairman of the Supervisory Board

The deliberations of the Supervisory Board in 2006 were devoted in particular to the following key topics: the ramifications of current market developments by new competitors, the consequences of structural changes in the banking sector and the specific steps taken to further develop the company's portfolio. Special attention was given to the following projects in 2006: the technical migration of the custody accounts of FondsServiceBank to DAB bank's IT platform, the introduction of a checking account product and the majority investment in SRQ FinanzPartner AG.

### **Corporate Governance and Declaration of Conformity**

As in previous years, the Supervisory Board devoted particular attention in 2006 to the application and the advancement of corporate governance at DAB bank. From the beginning, DAB bank AG has complied with essentially all the recommendations of the Corporate Governance Code, which was enacted in 2002. In December 2006, we approved the new joint Declaration of Conformity of the Supervisory Board and Management Board, in accordance with Section 161 of the German Stock Corporations Act (AktG). 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 were the following staff changes on the Supervisory Board of DAB bank in 2006: Effective March 9, 2006, Christine Novakovic resigned from her seat on the Supervisory Board and from her position as Chairwoman of the Supervisory Board. Thereupon, the Supervisory Board elected Andreas Wölfer as the new Chairman of the Supervisory Board, effective March 13, 2006. The shareholders present and represented at the annual shareholders' meeting approved the proposal to appoint Matthias Sohler as an additional member of the Supervisory Board. He became member of the Supervisory Board and was elected Vice Chairman as of May 11, 2006. In 2006, there were no staff changes on the Management Board. Effective April 1, 2006, Wolfgang Strobel was appointed as the Chief Representative of DAB bank. Effective March 31, 2007, Mr. Jens Hagemann resigned his seat on the Management Board of DAB bank AG. To succeed him, the Supervisory Board appointed Mr. Ernst Huber, Chairman of the Management Board of direktanlage.at AG (Salzburg), the wholly-owned subsidiary of DAB bank. Effective March 1, 2007, Ernst Huber will assume his duties as a member of the Management Board of DAB bank AG, in addition to his post on the Management Board of direktanlage.at AG in Austria.

### Audit of the annual financial statements

The annual financial statements and financial review of DAB bank AG and the consolidated financial statements and consolidated financial review of the DAB bank Group for fiscal year 2006, including the accounting records, were audited by Ernst & Young and provided with an unqualified audit opinion in both cases. In fulfillment of the audit duties prescribed in Section 317 (4) of the German Commercial Code (HGB), the independent auditor also inspected the monitoring systems implemented by the company for the early detection of risks. The independent auditor confirmed 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 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 12, 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. Thus, 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 29 cents per share.



Johannes Maret  
Board member



Dr. Volker Jung  
Board member



Nikolaus Barthold  
Board member



Gunter Ernst  
Board member

### Final declaration and audit of relevant affiliated companies

In accordance with Section 312 AktG, the Management Board has prepared a report on the relations with affiliated companies in fiscal year 2006 ("Dependency Report"), wherein it declares that DAB bank AG received fair and adequate compensation for each and every transaction, according to the circumstances known to it at the time of such transactions. No other steps within the meaning of Section 312 AktG were taken or omitted.

The independent auditor issued the following unqualified opinion on the results of the 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 concurred with the results of the above-mentioned audit. Based on the final results of our own review, 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 the employees for their tremendous dedication and hard work. We are convinced that DAB bank AG is correctly positioned in the market and can look forward to a highly successful year in 2007 as the No. 1 direct bank for securities-related services for individual investors and business customers in Germany and Austria.

Munich, March 12, 2007  
For the Supervisory Board

A handwritten signature in blue ink that reads "A. Wölfer". The signature is stylized and written in a cursive script.

Andreas Wölfer  
Chairman

## Corporate Governance

Since it was founded in 1994, 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 dialog that goes beyond the requirements of law. The overriding goal of DAB bank is to strengthen public trust and confidence in the company's management, while accommodating the growing need for information by the various interest groups. By this means, we intend to increase the company value on a permanent basis and act in a manner that serves the interests of our national and international investors. Information on this subject can be found in the Report of the Supervisory Board contained in this annual report.

The Management Board and Supervisory Board regularly discuss the changes 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, incorporates the most important legal requirements applicable to the management and supervision of German exchange-listed companies. It also incorporates the nationally and internationally recognized standards of sound, responsible corporate governance, making the German system more transparent and easier to understand.

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

### Declaration of Conformity

Declaration of Conformity with the German Corporate Governance Code for 2006 pursuant to Section 161 AktG:

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 12, 2006 (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 2006 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. However, the Management Board and Supervisory Board of DAB bank AG are of the opinion that all the company's directors and officers are bound by duty to act in a responsible manner and therefore such a deductible is not necessary.
- ▶ No Management Board Speaker (4.2 CGC):  
In this respect, DAB bank AG adheres to 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 extensive professional knowledge 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.

### Compensation Report for the Management Board and Supervisory Board

The Compensation Report summarizes the principles applied to determine the compensation of the Management Board and the Supervisory Board of DAB bank AG and details the amount and structure of the compensation granted.

In this regard, please also refer to the information provided in the Notes to the consolidated financial statements and the Financial Review.

The Executive Committee of the Supervisory Board is responsible for setting the compensation of the Management Board, based on the size and activity of the company, its financial condition and the amount and structure of compensation granted to the Management Board members of comparable companies. The compensation for fiscal year 2006 was composed of two components, a fixed annual salary, which is paid on a monthly basis, and a variable bonus, which is tied to the achievement of certain goals established by the Supervisory Board at the beginning of the year and is paid as an annual bonus, in equal parts. The employment contracts of the Management Board members do not expressly provide for any severance awards in the event of early termination of the employment relationship, nor do they contain any so-called „change-of-control“ clauses.

The compensation of the Supervisory Board is established by the annual shareholders' meeting, at the proposal of the Management Board and Supervisory Board, and is set forth in Article 14 of the company's articles of incorporation. The compensation of the Supervisory Board is determined with reference to the company's size, the duties and responsibilities of the Supervisory Board members and the financial situation and performance of the Company. The Supervisory Board compensation comprises a fixed component of €10,000.00 for each member, plus a variable component for the entire Supervisory Board, of at least €20,000.00 and at most €80,000.00, depending on the performance of the DAB bank AG share. The variable compensation is computed as the square of the share price of the DAB bank AG share at the end of the fiscal year, divided by the share price of the DAB bank AG share at the beginning of the year, multiplied by €20,000.00. The Chairman and Vice Chairman receive additional compensation. (The Chairman receives two times and the Vice Chairman receives one and one half times the compensation of a Supervisory Board member.)

## Financial communication

### The DAB bank share

After starting the year at €6.76, the DAB bank share performed very well in February, shooting past €9.00 to reach €9.10, its high for the year, on February 13. The share price held firm on a high level in the following weeks and months as well, posting a good performance for the first six months. But the widespread share price correction that began to sweep the capital markets in mid-May ultimately affected the DAB bank share as well. The share price declined substantially in the summer months, reaching its low for the year of €6.02 on June 14. The share price began to recover somewhat in the autumn, when it settled into a range between €6.50 and €7.00. In the final months of 2006, it could not break out of this range and closed the year at €7.00, with a 3.5% gain for the year.

DAB bank share price in € in 2006



The volume of DAB bank shares traded in 2006 again reflected the continuing interest of institutional and individual investors. On average, about 97,000 shares (previous year: about 89,300 shares) per day were traded on all the German stock exchanges, with an average daily trading volume of €736,300 (previous year: €569,960).

DAB bank shareholders will again receive a dividend for fiscal year 2006. After dividend distributions of 15 cents per share for 2004 and 18 cents per share for 2005, the Management Board and Supervisory Board will propose raising the dividend for 2006 to 29 cents per share, at the annual shareholders meeting to be held on May 10.

#### Key figures on the DAB bank share

Opening price, Xetra (01/02/2006)	6.76 €
Highest price Xetra (02/13/2006)	9.10 €
Lowest price Xetra (06/14/2006)	6.02 €
Closing price Xetra (12/29/2006)	7.00 €
Market capitalisation (12/29/2006)	526.3 mn €
<b>Earnings per share</b>	<b>0.29 €</b>
Dividend yield	4.1%
Book value per share	2.12€
Total shareholder return	7.8%
WKN	507230
SICOVAM	22040
Reuters Code	DRNG
Bloomberg Ticker	DRN GR
ISIN Code	DE0005072300
Shares outstanding	75.187.007
Stock exchange segments	SDAX, Frankfurt;
Stock exchanges	Xetra, Frankfurt, Munich, Stuttgart, Berlin, Duesseldorf, Hamburg, Hanover, Bremen, Paris
Designated Sponsor	Lang & Schwarz Wertpapierhandels AG



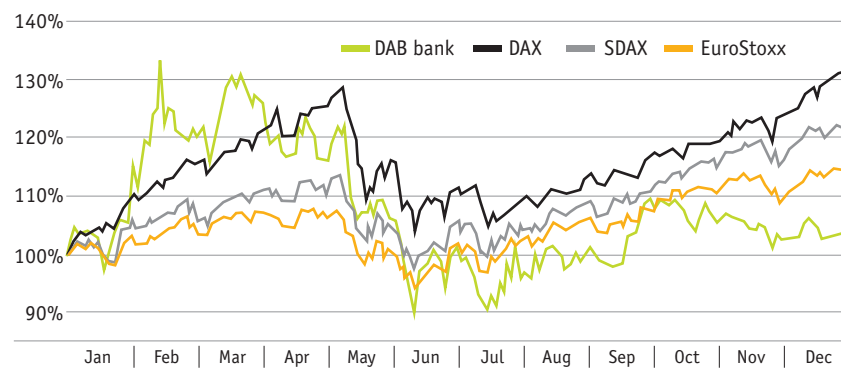
## Stock market environment

Continuing the positive trends of the previous year, the national and international stock markets were mainly bullish in 2006. The stock markets performed especially well in Germany. After starting the year at 5,410 points, the German lead index, the DAX, posted substantial gains in the first quarter, before succumbing to the general correction movement that began in mid-May. The DAX reached its low for the year of 5,244 points on June 14, before advancing again in the subsequent weeks and months. The DAX continued its rise in the second half of 2006, before shooting up dramatically in the final weeks of December as part of a year-end rally. The DAX hit a six-year high of 6,629 points on December 28 and ended the year one day later at 6,597 points, for a gain of approximately 22% for the year. For the seventh year in a row, the MDAX outperformed the DAX. Following a weak phase in the summer months, this index of mid-cap stocks posted impressive gains towards

the end of the year, in particular. The MDAX closed the year at a new record level of 9,404 points, its highest reading ever since it was introduced in 1996, reflecting a gain of 28.4% for the year. And the SDAX, the small-cap index which contains the DAB bank share, performed even better, closing the year at 5,567 points, for a gain of 1,321 points or 31% on the year. Unfortunately, the DAB bank share did not perform as well in 2006 as it had in 2005 and also lagged behind the development of the German stock indexes. Over the last two years, however, the DAB bank share has appreciated roughly 27%.

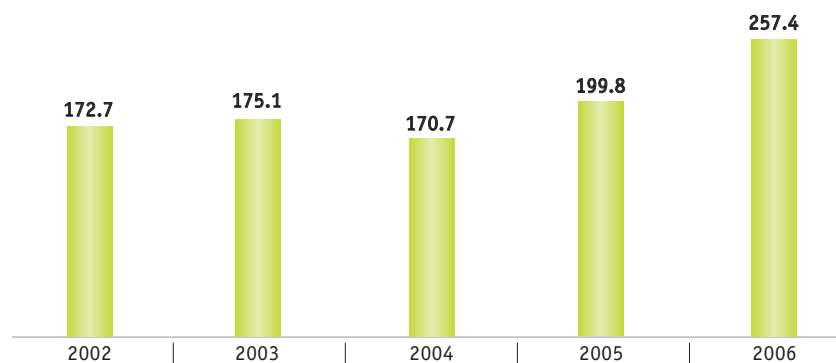
The performance of other, international stock markets was again quite positive in 2006. The Euro Stoxx 50 gained approximately 14%, the Dow Jones Industrial Index gained 16% and the Nikkei 225, the lead index of Japanese stocks, showed a gain of nearly 6%.

Chart indexes, comparison of DAB, DAX, SDAX, EuroStoxx in 2006



Even more IPOs were launched in 2006 than in 2005. In total, 70 IPOs were launched in the German stock exchanges, more than four times as many as in 2005. Naturally, the IPOs had a salutary effect on the trading volumes in the German stock markets. At 257.4 million trades, the number of trades executed were about 29% higher and the volume of shares traded, at €5.0 trillion, was approximately one third higher than the respective prior-year figures. The first quarter saw the highest number of trades, while the highest trading volumes were registered in the second quarter.

Number of trades executed on all German stock exchanges 2002 - 2006 (in mn)



## Investor Relations

The strategy of DAB bank is geared to profitable growth and permanent value enhancement. In 2006, we continued our tradition of open, active communication with our shareholders, investors and other interested parties. The capital markets have rewarded these efforts by devoting particular attention to our share.

The results for fiscal year 2005 were presented at a press conference for reporters and analysts on March 14 in Frankfurt. The quarterly results for 2006 were presented to analysts, journalists and shareholders in three lengthy conference calls in April, July and October.

At the annual shareholders' meeting on May 11, we informed our shareholders about the many successful developments of fiscal year 2006 and about our goals for the future. As in prior years, the annual shareholders' meeting was held at Nockherberg in Munich. For the second year in a row, our shareholders approved the payment of a dividend representing the entire unappropriated net profit, calculated in accordance with German Commercial Code rules. The shareholders present and represented at the meeting approved the proposal of the Management and Supervisory Board to pay a dividend of 18 cents per share, 3 cents higher than the previous year.

Again in 2006, we held many personal discussions with institutional investors and professionals, to keep them apprised of the business strategy and performance of DAB bank. The management presented the business strategy, current developments and future goals of DAB bank to institutional investors and professionals at nine road shows in Frankfurt, Düsseldorf, Zurich, Paris, Edinburgh, London, New York, Chicago and Denver. The DAB bank management also made presentations at the German Investment Conference of HypoVereinsbank in Munich and the German Equity Capital Forum of Deutsche Börse (the corporation in charge of the German stock exchange) in Frankfurt.

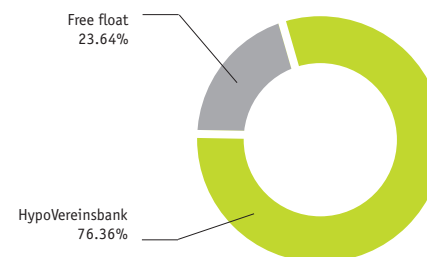
DAB bank AG was tracked by twelve stock analysts in 2006. This fact is indicative of the heightened attention being devoted to the DAB bank share in the capital markets.

The latest information about DAB bank, its business performance and its stock is constantly made available to all interested stakeholders at the Investor Relations section of our website at [www.aktie.dab-bank.de](http://www.aktie.dab-bank.de). The bank's annual and quarterly financial statements are available as downloads in German, English and French. Through the online ordering service, shareholders, investors and other interested parties can receive the printed versions of our financial reports mailed to them free of charge.

Corporate news, ad-hoc announcements and press releases are constantly made available on our website, as well. Past publications are available in our online archive. Also, interested visitors can download the presentations we use to present the bank's operating results to our shareholders and other investors.

We intend to continue our policy of open, active financial communication in 2007. Among other activities, we will be participating in the Dresdner Kleinwort German Mid & Small Cap Financial Day, provisionally scheduled for May, at HypoVereinsbank's German Investment Conference in September and at Deutsche Börse's Equity Capital Forum in November. In addition, we are planning new road show presentations in Germany and abroad. And we are always available for one-to-one discussions with interested persons.

#### Shareholder structure at 12/31/2006



## Company and strategy

DAB bank is the No. 1 direct bank for securities-related services. Thus, we are everyone's top choice and ideal partner for any services related to investment and financial planning.

DAB bank was again very successful in 2006, extending its position as the No. 1 direct bank for securities-related services. At €35.0 million, the pretax profit for 2006 was well beyond our stated goal of €33 million. Year-end customer assets amounted to €29.6 billion, easily beating our target of €28 billion. Also, we narrowed the cost-income ratio to 78.7%. For 2007, we have again set ambitious goals for DAB bank, including a pretax profit of €45 million, a cost-income ratio of less than 75% and customer assets under custody in the amount of €33 billion.

Our strategy, which is unchanged, is comprised of the following core elements:

### ► Focus on the markets of Germany and Austria

Germany is the biggest private-banking market in Europe, with more than four million customers. Private investors classified as "affluent," with a net worth of more than €100,000, and those classified as high net-worth individuals ("HNWI/HNWI+"), with a net worth greater than €500,000, together hold financial assets in excess of €1,200 billion. Experts estimate that the volume of financial assets held by private households will increase at an annual rate of more than 5% in all segments through the end of 2008. The financial assets held by private households in Austria is increasing as well, though not as quickly as in Germany. At the same time, the people of both

countries are feeling increased pressure to provide for their own retirement. Recognizing the advantages of securities, more and more investors are purchasing not only shares and mutual funds, but certificates as well. These trends directly benefit DAB bank and direkthanlage.at, both in the B2C business with individual investors and in the B2B business with asset managers, fund brokers and institutional investors.

The number of people who use online banking is growing quickly. In 2004, 61% of Germans used the Internet to conduct their banking business; one year later, this proportion had grown to 65%. Over the same period, the percentage of people who use the Internet not only for their online banking needs, but also for buying and selling securities, jumped substantially from 30% to 37%. Besides being smaller than the German market, the Austrian market is also less active with regard to online banking, with only half a million customers using the Internet for their banking business. However, the online banking market in Austria is thought to have a potential of 1.4 million customers.

The rising volume of privately held assets, coupled with the growing interest in private financial and retirement planning and the heightened use of the Internet for banking and brokerage services, are the trends that are driving the growth of DAB bank both in Germany and Austria.

As a subsidiary of HypoVereinsbank, DAB bank is a member of the UniCredit Group, situated within its Wealth Management division. As a direct bank specializing in securities-related services, DAB bank seeks to generate growth in this segment, particularly in Germany and Austria. We also intend to evaluate

our chances in those markets in which UniCredit Group is active. Our bank's affiliation with the internationally active UniCredit-Group will doubtlessly generate interesting opportunities for DAB bank in the medium-term and long-term future.

► **Benefiting from positive stock market trends while being insulated from negative stock market trends**

In 2000, only about 20% of DAB bank's income was not dependent on the trading behavior of its brokerage customers, while roughly 80% of its income was directly dependent on that behavior. But in 2006, as in the two preceding years, the situation was much different. Today, only about 44% of DAB bank's income is dependent on customers' trading behavior, while about 56% is independent of that behavior. This reversal constitutes ample proof that DAB bank is on the right course.

Naturally, we took advantage of every available opportunity to maximize our income in relation to stock market activities in 2006. But other activities, such as our proactive sales program, have played a greater role in the bank's success.

We conducted a total of 56 product campaigns in 2006, using every sales channel to inform customers of the latest products and services. Between January and December, we sent out approximately 1.3 million letters and 3.5 million e-mails and made 1 million telephone calls. In our telemarketing activities, we specifically select those customers for whom a given product is considered ideal, based on their investment strategy and risk affinity. All together, our proactive selling activities generated sales of about €637 million in 2006.

Private retirement planning is becoming a critically important issue for a broad swath of Germany's population. It is only natural, therefore, that our customers are increasingly in need of financial advice and support. To accommodate this need, DAB bank has been cooperating with Berlin-based SRQ FinanzPartner AG since the middle of 2005. Under this cooperation, we arrange for an SRQ financial expert to meet with those customers of DAB bank who have expressed an interest in receiving independent, professional advice. Now we have taken the next logical step, with the acquisition of a majority interest in SRQ. The acquisition benefits DAB bank in two ways. For our B2C customers, we have secured permanent access to independent financial planning and advice from skilled, experienced financial experts. And we have secured an investment in one of Germany's fastest-growing asset management advisory firms. Whether taking care of their own banking business via the Internet, or speaking with a customer service representative at our Call Center, or seeking the advice of a mobile financial expert who can meet with them personally, our customers are free to choose the service that works best for them.

In recent times, new brokerage providers have tried to break into the market by offering cut-rate prices. We firmly believe that customers can be retained in this business only if they are given excellent value for their money, not through cut-rate prices. Our offering is unique both for its breadth and the absence of any affiliation with the issuers of securities. At DAB bank, investors can buy every mutual fund and certificate available in Germany, from every stock exchange or over-the-counter. Virtually no other direct bank offers as wide a selection of savings plans based on mutual funds, certificates, ETFs and shares as DAB bank.

As a practical complement to our traditional brokerage services, we have offered our customers the chance to open a DAB checking account, with ec card and credit card, since the autumn of 2006. By this means, our customers can also conduct their everyday banking business with us, in a simple and convenient manner.

The quality of DAB bank's services was recognized with two awards in 2006. First, the readers of the online magazine Börse Online gave DAB bank first place in the category of "Best Product Offering" for the second year in a row. Second, the investor magazine Euro am Sonntag named DAB bank as Germany's "Best Online Broker." We are certainly honored by these awards, but more than that, they have the effect of spurring us on to even greater achievements.

► We seek to exploit the competitive advantages of our IT systems

In recent years, DAB bank has made substantial investments in its IT platform, which has created an excellent basis for future growth. The upgraded IT platform enables us to offer numerous new services for our customers, especially our B2B partners. Today, more than 60% of licensed asset management advisors in Germany are working with DAB bank. Among other products and services, we offer the portfolio management system Triple A, which enables financial advisors to create, save and administer personalized client profiles, including their custody account structures and investments, as well as investor profiles. Triple A supports all asset categories. It offers specialized functions to assist the financial advisor in the development and implementation of an investment strategy tailored to the precise needs of their clients.

For the benefit of our institutional customers, especially banks and insurance companies, we have offered a SWIFT interface since the end of 2006. Because all orders are routed through this uniform communication system, it is easier than ever to transmit transaction data and other data between DAB bank and its institutional customers. They can enter their trade orders directly into our IT system, which saves them time. Our confirmation and order data are then transmitted directly into their systems. This solution spares both our customers and us at DAB bank the time-consuming additional work of manual data entry in different systems.

Beyond the advantages mentioned above, we can also market the technical capabilities of our IT system to others, in the capacity of a service provider. Thus, other banks, financial institutions and investment companies can choose to maintain their custody accounts on our IT platform. By doing so, our partners can benefit from our efficient back-office processes and our extensive experience in the securities business. To cite one example, DAB bank assumed the custody and administration of 20,000 securities accounts for Volkswagen Bank, effective January 1, 2007.

Having migrated its custody accounts to our platform in mid-2006, FondsServiceBank is poised for additional growth. This DAB bank subsidiary performs custody and administration of securities accounts for broker pools, mutual fund platforms and investment companies. At December 31, FondsServiceBank administered 484,946 custody accounts for 33 partners. We see considerable growth potential for this type of business in the coming years as well.

Achieving profitable growth together – That is the slogan we adopted for the 2006 fiscal year. We intend to continue on a course of profitable growth in 2007, in all segments of our business.

## Milestones of 2006

February

For the second year in a row, the investor magazine Börse Online selected DAB bank as the winner in the category of “Best Product Offering.” DAB bank was ranked second place in the overall evaluation for “Online Broker of the Year.”

May

The shareholders present and represented at the annual meeting approved the proposal of the Management Board and Supervisory Board to distribute the entire unappropriated net profit calculated in accordance with German Commercial Code rules. Thus, DAB bank AG paid a dividend of 18 cents per share for 2005.

DAB bank AG launched the new web portal [www.profi-depotcheck.de](http://www.profi-depotcheck.de), the first video blog by independent asset management professionals. The weekly blog discusses the latest developments in the world of finance and investments.

August

The investor magazine Euro am Sonntag named DAB bank as the “Best Online Broker” in a comprehensive survey based on price-quality criteria.

March

March 14: DAB bank announced record results for its 2005 fiscal year, including a pretax profit of €23.89 million, 955,720 customer accounts and €24.98 billion in customer assets.

DAB Bank overhauled its corporate design, coming out with a new image that is more modern and customer-friendly. From this time on, DAB bank’s online and print communications are presented in the company’s new color, a bright green.

June

The technical migration of the custody accounts from FondsServiceBank to the DAB Bank platform was completed.

## October

DAB bank offered its customers the chance to subscribe Deutsche Bank's new **Vietnam Top Select Certificate** before the stock exchange listing. This transparently structured investment instrument gives individual investors in Germany the chance, for the first time, to invest directly in this booming Asian market. During the five-week placement period, the certificate's value jumped by approximately 45%.

## December

DAB bank announced that it will provide **vocational training positions** for ten young people, starting in September 2007. This program, offered in cooperation with HypoVereinsbank, marks the first time that DAB bank has offered vocational training positions under the German model.

The number of **securities accounts** carried for customers crossed the magic threshold of **one million** in December.

## September

DAB bank introduced a new trading instrument, known as **"Straight Forward Dealings" (SFD)**. These are clearly structured derivatives on DAX 30 stocks, which track the share prices of these stocks on a 1:1 basis.

DAB bank hosted its annual **Investment Conference** for the ninth year in a row. Approximately 1,000 asset managers, fund brokers and financial professionals – a new attendance record – took this opportunity to obtain detailed information on the latest developments in their industry and in the financial markets.

## November

DAB bank introduced a **checking account**, with ec card or Maestro card and credit card. Customers can now use DAB bank for their everyday banking business, perhaps even as their primary bank.

Subject to the approval of regulatory authorities, DAB bank AG acquired a 52.52% interest in **SRQ FinanzPartner AG** (SRQ), one of Germany's fastest-growing asset management advisory firms.



## Individual investors (B2C unit)

In 2006, DAB bank again registered positive growth in its business-to-consumer unit (B2C). Unfazed by the considerable volatility of the capital markets in May and June, our individual investors spent more money for securities. DAB bank executed 4.33 million trades for its B2C customers in 2006, about 25% more than the previous year, and the volume of customer assets held in our accounts rose from €9.53 to €10.62 billion.

### The grass is greener at DAB bank

At the start of 2006, DAB bank overhauled its corporate design, introducing a bright, fresh green as the company color. These changes have made DAB bank's corporate advertising and websites more modern and customer-friendly, while also boosting the recognition and familiarity of the DAB bank brand. Our marketing activities in 2006 were focused on high-response channels such as direct mail, TV advertising and direct sales. We produced six different TV spots for DAB bank, which were aired on business-oriented TV stations during prime viewing hours. We also increased the number of DAB bank information stands at German airports and train stations. The success of these activities is reflected in the number of new customers acquired in 2006. DAB bank added 12,494 net new customers in its B2C unit, more than twice as many as in the previous year. A total of 9,872 net new accounts were opened in Germany alone. At December 31, 2006, DAB bank administered a group-wide total of 439,692 securities accounts for its B2C customers.

The grass is greener at DAB bank, especially for our customers! With this idea in mind, we intensified our communications with customers, improved our services and broadened our product selection in 2006.

### Proactive sales via multi-channel strategy

In the spirit of our proactive sales philosophy, we conducted 56 product campaigns last year, many of which related to actively managed certificates. DAB bank is capable of developing a product, choosing the best issuer for that product and bringing it to market within a period of only three weeks. For example, we introduced the JP Morgan Gasoline Bond in August 2006, just as oil prices were shooting up again. The return on this investment effectively neutralizes the higher prices that investors have to pay at the gas pump. In another example, our Vietnam certificate, for which DAB bank is the exclusive distributor, was launched in the autumn of 2006, just as experts were stressing this country's economic growth potential. The certificate's price appreciated 45% during the subscription phase alone.

DAB bank pursues a multi-channel strategy in its marketing communications. In the past year, we intensified our marketing activities in the channels of print advertising, Internet, telephone marketing and face-to-face contacts. We sent out approximately 1.3 million letters and 3.5 million e-mails in the period from January to December 2006. Also, we kept our customers

informed of current stock market trends and developments in our monthly magazine *Investor*. Our product offerings were advertised on prominently placed promo pages on the Internet. And precisely targeted offers were made to customers who logged in to a personalized version of the website.

While appreciating the highly pertinent information provided to them in our direct mailings, e-mails and website, many of our customers wish to speak directly with a customer service representative. Our call center agents are available to place an order for them or answer specific questions related to securities trading. Every year, our call center agents field about 1 million calls from our customers. Besides placing orders, they also bring the customer's attention to new products that are suited to that customer's personal investment strategy and asset allocation profile.

### **Growing demand for financial and investment advice**

As more and more people recognize the need for private retirement planning, the demand for financial and investment advice will continue to grow. Thanks to our cooperation with Berlin-based SRQ FinanzPartner AG, which dates back to the middle of 2005, our customers can obtain personalized financial and investment advice from a trained professional. In view of the growing demand for such services, DAB bank took the next logical step in its cooperation with this company by acquiring, in November of last year, a majority interest in SRQ. As a result of this acquisition, our customers are assured permanent access to independent, objective financial advice. Individual customers who express a wish for personalized financial planning will be referred to one of the approximately 80 financial advisors of the SRQ network. SRQ advises clients on the full range of financial planning issues,

from investing in securities to retirement savings plans and insurance needs. In order to accommodate the anticipated growth in demand for these services, SRQ plans to beef up its nationwide team of financial advisors, bringing the total to 150 by 2008.

### **Expanded range of brokerage products**

Most of our individual investors place at least some of their money in mutual funds. Our Fund Bestseller List, updated every month, has long been a popular item with our customers. In March 2006, we added ten more mutual funds to the list, so that our customers can now purchase any one of the 30 best-selling mutual funds under the terms of our lowest-price guarantee.

Our customers are increasingly making use of our OTC trading platform DAB Sekunden-Handel. In fact, more than 80% of certificates and options are traded on this platform. Now that we have expanded the group of trading partners from 16 to 21, our customers can trade more than 90,000 products with DAB bank. As a new feature, our customers can also order mutual funds on the DAB Sekunden-Handel platform. In 2007, we intend to further widen the list of mutual funds that can be traded on the OTC platform.

Those investors who wish to generate short-term profits in volatile markets will be interested in our SFDs (Straight Forward Dealings), a trading instrument developed by Lang & Schwarz Wertpapierhandelsbank AG, which we have offered to our customers since September 2006. SFDs represent a basket of transparently structured derivatives on DAX 30 stocks. By taking advantage of the implicit lever in this investment, opportunistic investors can profit from the share price movements of the underlying stocks on a 1:1 basis, with little money down.

### **DAB bank introduces checking account product to complement its securities-related services**

In customer surveys, 15% of our customers have expressed a wish to use DAB bank as their primary bank for everyday banking business. We responded by introducing the DAB Checking Account, with ec card and credit card, in early November 2006. The checking account product complements DAB bank's investment and retirement planning services, so that our customers can now obtain all the banking services they need from a single source. We offer two kinds of checking accounts, the DAB checking account and the DAB Platinum checking account. Both types of accounts can be used for payment transfers and for withdrawing cash, free of charge, from the more than 7000 automated teller machines of the Cash Group, located throughout Germany. With the DAB Platinum checking account, account holders have the option of being issued a MasterCard Platinum credit card, which comes with an exclusive package of services, including concierge service, access to 500 VIP lounges at airports around the world and an extensive insurance package for the entire family.

### **DAB bank is the very best**

In the opinion of the readers of two different magazines, Börse Online and Euro am Sonntag, DAB bank is the very best. DAB bank earned a place on the winner's podium in the 2006 broker survey conducted by Börse-Online, taking first place in the category of "Best Product Offering" for the second year in a row. In August, the magazine Euro am Sonntag posed the following question to its readers: "Extensive product offering and low prices – Which online broker offers the most to individual investors?" The answer was DAB bank, the clear winner among 16 online brokers, with respect to both prices and product offerings.



## Business customers (B2B unit)

The B2B unit was again the No. 1 growth driver for DAB bank in 2006. The number of securities accounts opened for the clients of our business customers increased by approximately 43% in 2006, from 65,801 to 93,881. And the number of financial intermediaries working with DAB bank also continued to grow, from 901 to 959 at the end of 2006, while the volume of customer assets held in the B2B unit hit a new record level of €12.27 billion.

### “Depotcheck” now available online

Again in 2006, our investment portfolio analysis service “Depotcheck” boosted customer growth in the B2B unit. Through more than 40 such actions in selected media, we collected about 17,400 leads in 2006, as that many people, each with an average investment portfolio of €120,000, signed up for the portfolio analysis service provided by our nationwide B2B partners. For the first time in 2006, the “Depotcheck” action was conducted using online media and web portals such as gmx.de, Zeit Online and Manager-Magazin.de. Also, we set up a new website, [www.providepotcheck.de](http://www.providepotcheck.de), in May 2006. This website features the first video blog of its kind in Germany, a weekly forum in which independent asset management experts discuss the latest developments in the world of finance and give tips and advice on financial planning and wealth accumulation. Visitors to the website can also sign up for a free analysis of their investment portfolios.

In 2006, DAB bank also gave investors the chance to meet with asset management professionals and benefit from their knowledge and experience in this field. In cooperation with ten asset management professionals and the Association of Independent Asset Managers, DAB bank set up a stand, for the first time in 2006, at the International Investors Convention in Düsseldorf,

which ran from September 17 to 19. This action was additionally supported by our media partner, the newspaper Rheinische Post. Numerous visitors to our stand learned about the special advantages of working with certified financial professionals backed by a direct bank like DAB bank, with its lean organization and competitive cost structures.

We intend to conduct many more “Depotcheck” actions in 2007, using new media for this purpose. Through these activities, we help to build public awareness for the profession of independent asset managers, while also actively supporting our B2B partners in their efforts to acquire new leads and customers. In a development that augurs well for international business growth prospects, DAB bank has entered into its first cooperation agreements with asset managers in Austria and Switzerland. Such efforts will be intensified in 2007.

### New services for faster processing and enhanced convenience

Besides helping them win new customers, we provided other valuable support to our B2B partners in 2006, in the form of targeted products and services. In this regard as well, DAB bank’s excellent IT infrastructure represents a critical business advantage. The substantial investments that DAB bank has made in recent years to upgrade its IT platform have laid the basis for an even broader range of products and services and other, indisputable competitive advantages.

For the benefit of our institutional customers, especially banks and insurance companies, we have offered a SWIFT interface since the end of 2006. Because all orders are routed through this uniform communication system, it is easier than ever to transmit transaction data and other data between

DAB bank and its institutional customers. This solution spares both our customers and us at DAB bank the time-consuming additional work of manual data entry in different systems. This capability represents a significant competitive advantage for DAB bank, because we can handle about 50% more assets for our institutional customers within the B2B unit.

Another new feature introduced last year for our B2B partners was an automated tool for mailing out investment fund prospectuses. Connected with this tool by way of an online interface, the financial advisor can arrange to have prospectuses and other documents mailed directly to his clients, without having to contact the various fund companies himself. That saves time and money.

With the help of our new CRM Request System, our financial intermediaries can handle queries with the greatest of ease. They simply need to enter those queries into our online system and wait for the result. In the meantime, they can observe the status of those queries online. This solution reduces the amount of time our B2B partners must spend on these matters, leaving them more time for the real work of providing asset management advice and services to their clients.

Since the summer of last year, our financial intermediaries can open standardized model accounts, based on mutual fund investments, with DAB bank. With a minimum investment of only €5,000, investors can use these accounts to benefit from the expertise of investment professionals without having to commit larger sums of money. When market conditions warrant a change, our

financial intermediaries can modify the composition of their model accounts quickly and easily.

Another new product we have developed, which financial intermediaries can offer to their clients, is the World Signia Card. This exclusive credit card, which we make available to selected customers, comes with an extensive array of premium services, including access to 500 VIP lounges at airports around the world, as well as travel services, cash services, quick assistance in emergencies, an extensive insurance package and ongoing premium offers.

#### **Always up-to-date: Events for B2B partners**

Again in 2006, DAB bank hosted several events for asset managers and mutual fund brokers. Besides serving the basic purposes of continuing education and information, these events have in the last few years evolved to become important industry gatherings and knowledge exchange platforms.

The event season began with our traditional year-opening event at the Munich Stock Exchange, where recognized economists and investment strategists discussed the outlook for the capital markets in 2006.

The culminating event was the ninth annual DAB Investment Conference on September 20. This year's event set a new attendance record, with more than 1,000 participants. The guest speakers were Prof. Dr. Norbert Walter, Chief Economist of Deutsche Bank, and Prof. Dr. Hans Tietmeyer, retired President of the German Bundesbank. Various topics of special interest were addressed,

including interest rates, commodity markets and private equity trends, as well as regulatory and tax law requirements. By attending any of the 17 workshops offered and engaging in discussions with the 52 exhibitors at the event, the financial professionals obtained an in-depth understanding of the financial services industry and the market outlook for 2007.

No other topic has consumed the interest of asset managers and mutual fund brokers this year as much as the new Directive on Markets for Financial Instruments (MiFID), which will enter into effect in November 2007 at the latest. DAB bank presented detailed information on this subject at the Investment Conference. Besides that, DAB bank hosted seminars on this subject in four major cities of Germany in November, in cooperation with the German Investment Trust.

Germany is the biggest private-banking market in Europe, with more than four million customers. Private investors classified as "affluent," with a net worth of more than €100,000, and those classified as high net-worth individuals ("HNWI"), with a net worth greater than €500,000, together hold financial assets in excess of €1,200 billion. Due to its excellent positioning in the B2B market, DAB bank is ideally poised to exploit the future growth potential of this market.

## FondsServiceBank – A service of DAB bank

Following the legal merger of FSB FondsServiceBank with DAB bank in 2005, the defining task of 2006 was the technical migration of FSB's investment fund accounts to the DAB bank platform. This project was completed in June, laying the basis for continued process improvements and the introduction of new products and services in 2007.

FondsServiceBank also registered business growth in 2006, increasing its custody accounts from 462,721 to 484,946 at the end of 2006 and increasing the volume of customer assets under custody by €0.62 billion, to €6.74 billion. In the unit represented by FondsServiceBank, we intend to establish a strong market positioning by convincing financial intermediaries of the unique advantages that FSB has to offer. We will seek to exploit the inherent potential of this business by acquiring new customers, enhancing process efficiency and expanding the product portfolio.

## Acquisition of a majority interest in

### SRQ FinanzPartner AG

It seems that everybody in Germany is talking about wealth accumulation and retirement planning. Faced with the bewildering variety of offerings in this area, many investors find it difficult to decide on the right investment strategy and the right products to execute that strategy. This situation is fueling the demand for investment advice from an experienced, independent professional.

Recognizing this need of its individual investors, DAB bank entered into a cooperation agreement with SRQ FinanzPartner AG three years ago. Thus, our B2C customers have received investment and financial advice from this company since the middle of 2005.

#### Acquisition of a majority interest in SRQ FinanzPartner AG

In November 2006, we took the next logical step in this cooperation, by acquiring a 52.52% interest in SRQ. The acquisition was financed with cash. DAB bank also holds an option, limited in time, to purchase the remaining shares in SRQ.

#### Mobile sales poised for growth

By means of this acquisition, we have secured permanent access to the skilled, independent advice of SRQ's financial experts for our individual investors. Beyond that, the acquisition represents a highly promising

investment, considering that SRQ is one of Germany's fastest-growing asset management advisory firms.

In the time since it was founded in 2003, SRQ FinanzPartnerAG has opened 4,516 custody accounts for its customers, with customer assets of €676 million at December 31. Last year alone, SRQ opened 1,016 new custody accounts and increased its customer assets by €226.6 million, or 50%. Also, SRQ was profitable in 2006, making an ideal fit with DAB bank and its strategy of profitable growth.

In the coming years, SRQ stands to benefit also from the dramatic growth in demand for mobile private banking services. This development will likewise have a positive effect on DAB bank's customer acquisition. Besides helping DAB's existing customers manage their smaller investment portfolios, SRQ will certainly also acquire new customers, with corresponding positive effects on DAB bank's customer portfolio.

The following goals have been set for the end of 2008: to expand the nationwide network of financial advisors to 150, increase the number of custody accounts to 10,000 and raise the volume of customer assets under custody beyond the threshold of one billion euros.



### Independent advice, anywhere in Germany

SRQ will continue to operate in the market as a stand-alone brand. The management of SRQ are still invested in the company and will thus continue to make an essential contribution to the company's success. SRQ currently has 83 financial advisors – all of whom trained banking professionals with many years of experience – and offers its services throughout Germany. In addition to its main office in Berlin, the company operates six regional offices.

Both DAB bank and SRQ FinanzPartner AG pride themselves on their objectivity and impartiality as independent service providers. The fast-growing financial advisory business of SRQ is ideally matched with the experience of DAB bank as the No. 1 direct bank for securities-related services. Together, SRQ and DAB bank will continue to stand for excellent quality and profitable growth.



Claus Quahl  
Chairman of the Management Board



## **direktanlage.at – The bank for individual investors in**

### **Austria**

The goal of profitable growth applies equally well to our Austrian subsidiary, direktanlage.at. The Salzburg-based subsidiary reported a pretax profit of €9.4 million for 2006, the best result since it was founded in 1995 and nearly double the €5.14 million pretax profit for 2005.

#### **Uncontested market leader in Austria**

On the strength of its successful formula “innovation instead of fees,” direktanlage.at bolstered its status as the uncontested market leader in Austria, with a 70% share of the market for brokerage services. Aided by the tailwinds of the Austrian stock market’s positive performance, direktanlage.at again reported impressive organic growth in its key value drivers last year. Between January and December 2006, direktanlage.at executed 858,722 trades for its customers, 59% more than the previous year. Trades per securities account and year reached 21.9, an impressive figure compared to its European competitors.

The importance of wealth accumulation and investment advice is growing in Austria as well. There too, the need to save for retirement is the primary savings motivation for investors. At the same time, more and more Austrians are investing in securities. In the span of only one year, from 2005 to 2006, the percentage of savers who invested in stocks, mutual funds and certificates increased from 25% to 32%. Austrians are showing a particular interest in

certificates. And the percentage of the financial assets of Austrian private households invested in securities increased from 23% to 28% between December 2005 and June 2006.

The Austrian subsidiary direktanlage.at did an excellent job of harnessing these trends in 2006. Among other gains, direktanlage.at picked up 6,191 net new customer securities accounts, bringing the total to 42,263. Like DAB bank, direktanlage.at increased its business with individual investors and business customers alike. In the B2B unit alone, direktanlage.at acquired 35 new financial intermediaries as business customers, along with 3,569 securities accounts of their clients.

Customer assets under custody grew by more than one third in 2006, crossing the €2 billion mark for the first time to reach €2.35 billion at December 31. The volume of assets invested in mutual funds swelled by 50% to €0.62 billion.

#### **Successful asset management**

Seeking to exploit the growing interest of individual investors in mutual funds and the rising demand for top-quality asset management, direktanlage.at launched an extremely successful and innovative new

product, the Top Vario Mix fund, in the summer of 2006. Created by direktanlage.at, this fund is managed by the German asset management firm Dr. Jens Ehrhardt Kapital AG. With a minimum investment of only €1,500, individual investors can benefit from the expertise of one of Germany's top ten asset management firms. Within a period of only six weeks, this fund raised more than €10 million in investment contributions.

Through direktanlage.at, DAB bank enjoys an excellent position in the Austrian market. Again in 2006, direktanlage.at generated extremely impressive results through organic growth. In the future, the Austria segment will continue to make a positive contribution to the profitable growth strategy of the DAB bank Group.



Ernst Huber  
Chairman of the Management Board

  
**direktanlage.at**  
Die Bank für Wertpapieranleger.



Jens Hagemann  
Member of the Management Board

Alexander von Uslar  
Member of the Management Board

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Chief Representative

## Economic Report

### 2006: Profit goal exceeded through profitable growth

In order to continue on a course of steady, profitable growth, DAB bank focused on three core goals in 2006:

1. To increase the groupwide pretax profit by around 40% over the previous year, to €33 million.
2. To reduce the cost-income ratio by 5%, to less than 80%
3. To increase customer assets held in custody to €28 billion

DAB bank generated a pretax profit of €35,006 thousand in 2006, 46.5% higher than the pretax profit for 2005 (€23,891 thousand) and well beyond our stated profit goal of €33 million. Consequently, the bank's return on equity rose to 20.2% (2005: 14.4%).

At €164,043 thousand, the income for 2006 was 13.9% higher than the corresponding year-ago figure. The administrative expenses amounted to €129,037 thousand, representing an increase lower than the prior year figure, though not as great as an increase as that observed in the bank's income figures. At 78.7% (2005: 83.4%), the bank's cost-income ratio was within the stated target range of less than 80%.

The groupwide volume of customer assets held in custody at December 31, 2006 rose to €29.63 billion, the highest figure since the founding of DAB bank (December 31, 2005: €24.98 billion). Here too, we exceeded our stated goal of €28 billion.

### Market developments

#### General economic developments in 2006

Continuing the expansion that began three years ago, the global economy again registered impressive growth in 2006. Worldwide production showed an increase of 3.9%, slightly greater than the previous year's rate of increase. The continuing boom was driven by various factors in 2006, including the customarily dynamic economies of the United States and East Asia, as well as, for the first time this year, significant GDP growth in the euro zone. In the United States and Japan, the strong momentum of the previous year carried over into the early part of 2006, but then settled into a slower pace of growth, under the influence of weakening consumer demand. Once again, China's gross domestic product increased at a double-digit rate in 2006.

The high level of oil prices continued to exert a dampening effect on the global economy in 2006. Oil prices repeatedly reached new highs during the year. At US\$67, the average price per barrel in the first ten months of 2006 was about 22% higher than the average price per barrel in the comparable year-ago period. The main factors behind the run-up in oil prices were the continued strong demand for this commodity, especially in the United States and Asia, and the various geopolitical tensions, e.g. in the Middle East.

The dynamic economic growth observed in the United States at the start of the year, which was fueled in particular by the billions of dollars in reconstruction aid for the hurricane-affected areas of that country, slowed considerably during the further course of the year, mainly as a result of the higher energy prices. For the year as a whole, the gross domestic product of the

United States expanded at a rate of 3.3%. Japan's economy expanded at a rate of 2.8% for the year, buoyed by strong domestic demand, including huge business investment spending. China's gross domestic product expanded at a rate of 10.6% in 2006, driven in particular by the high levels of gross investment in plant and equipment and higher consumer spending.

The euro zone again experienced positive economic development in 2006, with GDP growth of 2.7%. The German economy provided a solid base for this expansion by importing more goods and services from the other euro zone countries, helping them achieve positive growth rates as well. Economic growth was especially strong in Finland, Ireland, Luxembourg and Spain. Among the member countries of the European Union (EU-25), the Baltic states and Slovakia witnessed extremely fast economic growth.

Germany's gross domestic product expanded at a rate of 2.5% in 2006, the fastest growth in six years. For the first time in many years, domestic spending made a significant contribution to the economic expansion in Germany. And this time, the expansion was not derailed by the various restrictive factors in play, including the high level of energy prices, the consolidation of the German federal budget and the 1.7% rise in consumer prices (HVPI). The World Soccer Cup held in Germany in 2006 provided an additional boost to the German economy. Also, the planned increase in the value-added tax, which will take effect in 2007, stimulated sales of durable goods in 2006, as consumers rushed to take advantage of the still lower tax rate. The economic upswing eventually had a positive impact on the jobs market as well, with the unemployment rate falling to 8.2% at the end of 2006 and the number of people working in jobs with obligatory social insurance contributions increasing as well.

For 2007, economists anticipate that global economic growth will slow down somewhat under the influence of more restrictive monetary policies around the world and a renewed rise in oil prices, but nonetheless remain on a high level. The loss of momentum in the U.S. economy will be largely offset by the economic expansion in the euro zone and in East Asia, where GDP growth will slow down only slightly. For Germany, the economic expansion is expected to continue, albeit at a slightly lower rate, due to the loss of purchasing power and reduced consumer demand caused by the increase in the value-added tax to 19%.

### Development in the financial markets

The international stock markets again performed very well in 2006, continuing the momentum of the previous year.

From the beginning of the year, the German lead index, the DAX, sprinted steadily forward, leaping the 6000-point hurdle in early April. It then vacillated around this level for about a month before succumbing to a correction phase that lasted from early May to mid-June. From that point on, the DAX only moved up until December, when the advance stalled for a few weeks before rallying at the end of the year to cross the psychologically important barrier of 6,600 points. The DAX reached its high for the year of 6,629.33 points, which also happened to be its highest reading since February 2001, on December 28, 2006. By the end of 2006, the DAX had gained 1,186.7 points on the year (after gaining 1,152.2 points in the previous year), representing a percentage increase of 21.9% (after 27.1% in the previous year). The DAX outperformed the other important stock indexes of Europe, the United States and Japan in 2006. In Europe, the Euro Stoxx 50 index gained 13.9%, the FTSE 100 gained 10.7% and the CAC40 gained 17.1%. Beyond

Europe, the Dow Jones Industrial Average gained 16.3% and the Japanese lead index, the Nikkei 225, gained 5.7%. On the other hand, the DAX did not gain as much in 2006 as the other, secondary German stock indexes, this being the second year in a row that has happened. The MDAX gained 28.4% and the SDAX gained 31.1% in 2006. In a worldwide comparison, the stock markets of the BRIC countries (Brazil, Russia, India and China) were among the most successful in 2006.

Thanks to the unremittingly positive mood of the stock markets and the steady growth of corporate profits, many companies were taken public in 2006. In Germany, there were 70 IPOs (as compared with 19 in 2005), the biggest among them being Symrise AG, Wacker Chemie AG and GAGFAH S.A. The United States had the most IPOs, with 188, followed by Japan with 166 and 142 in Britain.

The dynamic mood of the stock markets was reflected in the heavy trading volumes on the German stock exchanges. A total of 257.4 million (2005: 199.8 million) orders were executed on the German stock exchanges last year, 29% more than the previous year. The total trading volume was €5.0 trillion (2005: €3.8 trillion), including €4.3 trillion in shares traded (2005: €3.1 trillion), €219.7 billion in options traded (2005: €96.5 billion) and €455.8 billion in fixed-income securities traded (2005: €615 billion).

Despite the positive performance of the stock markets, the number of direct shareholders in Germany declined in 2006, to 4.2 million (after 4.7 million in 2005), according to figures published by the German stock issuers' association known as Deutsches Aktieninstitut. Thus, shareholders represented 6.5% of the German population in 2006 (as compared with 7.3% in 2005). In the second half of the year, however, the total number of share investors increased by 449,000 over the first half. All together, 10.3 million Germans held equity shares or equity fund shares in 2006.

The money markets developed in line with the securities markets, posting strong gains during the course of the year, both in the shorter-term and long-term maturity ranges. The 3-month Euribor, the interbank rate for three-month time deposits, rose from 2.49% at the start of 2006 to 3.72% at the end of the year. Following suit, the 12-month Euribor rose from 2.84% at the start of the year to 3.97% at the end of the year. Both interest rates rose to their highest levels since the beginning of 2003.

The bond markets in 2006 were heavily affected by the interest rate hikes effected by central banks around the world, led by the U.S. Federal Reserve and the European Central Bank. Bond prices and yields came under pressure because, concurrently with the increases in key interest rates, the yields on government bonds rose as well. The international bond markets recovered when the U.S. Federal Reserve signaled an end to the monetary tightening phase. Yields remained relatively low, as German economic growth slowed down somewhat in reaction to the slowing U.S. economy. Despite these effects, the current yield showed quite a positive development, ending the year at 3.96% (2005: 3.2%).

The yield on ten-year German Bunds rose from 3.29% at the end of 2005 to 3.95% at December 31, 2006. Accordingly, the Bund future fell from 121.84 at the end of 2005 to 116.33 at the end of 2006.

The volume of German corporate bonds traded rose to €13.84 billion at the end of October 2006, as compared with €5.99 billion at the end of October 2005. Due to the rather low level of interest rates, there were relatively few new issues in the German bond market. The gross sales of fixed-income securities issued by companies based in Germany came to €789.83 billion (as of October 2006), substantially less than the comparable year-ago figure of €855.87 billion.

In the time from May to October 2006, the exchange rate of the euro to the U.S. dollar was decisively influenced by the interest rate divergence between the United States and Europe. Only in the final months of the year, when the rate-raising cycle had ended in the United States and it was anticipated that the European Central Bank would raise interest rates in the euro zone in two stages, for a total increase of 0.5%, did the euro finally begin to rise in value against the U.S. dollar. At the end of 2006, the euro/U.S. dollar exchange rate was 1.32 dollars per euro (2005: 1.21 dollars per euro).

### Developments in the financial services industry

Aided by the generally positive economic environment, the stability of the German financial system improved still further in 2006. Financial institutions benefited in particular from the healthy state of the domestic economy, coupled with subdued inflation and the robust growth of corporate profits. The German banking system appeared to be strong and healthy in all sectors.

German banks, and especially the big, internationally active banks, reported substantially higher profits in 2006, due at least in part to the favorable conditions in the capital markets, including the positive performance of the stock market and the low level of market interest rates. The operating results of German banks are expected to follow a positive trend in the medium-term future, mainly due to their increased operational efficiency and the heightened productivity of their loan assets.

The increased profitability of German banks overall is indicative of the fact that the restructuring efforts of recent years have begun to bear fruit. It should be noted, however, that the earnings growth of German banks still lags behind that of their international peer group, indicating that the German banks have still not closed the gap with regard to the cost-income ratio. The European counterparts of the German banks reduced their cost-income ratios by around 5 percentage points, while the German banks managed to reduce their cost-income ratios by only 2.5 percentage points.

The risk situation of German banks continued to improve in 2006, even as their risk absorption capacity increased markedly. Their stability in this respect can be attributed to the continued earnings improvement, the consolidation of balance sheets and the enhanced quality of loan portfolios resulting from the steady improvements made to their risk management systems.

On average, the German banks also improved their equity ratios and core capital ratios substantially in 2006.



## Developments within the group of direct banks

The direct banking market in Germany continued to expand at a healthy rate in 2006, attracting about 450 thousand new securities account holders, bringing the total number to approximately 4.55 million at the end of the year, for a gain of about 11% on the prior year.

The continued expansion of the direct banking market can be attributed to the fact that direct banks have branched out into new business segments, while broadening their product and service offerings. Thus, the expansion of this market was driven primarily by organic growth.

As in previous years, the principal competitors of DAB bank AG include the once-traditional online brokers like comdirect and CortalConsors, as well as

automobile finance banks like Volkswagen Bank, and the conventional direct banks like ING DiBa. In a broader sense, DAB bank also faces competition from specialized service providers like Sino AG, which focuses on heavy traders.

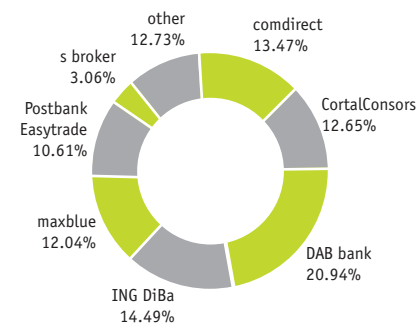
Among the bigger institutions, at least, there is a distinct trend towards offering a wide range of services, from securities-related services to current accounts and loans. More and more direct banks are also offering professional advice to customers in one form or another. At the same time, the conventional direct banks are increasingly adding brokerage services to their line-ups. As a result, the once clear distinction between direct banks and online brokers is becoming blurred, as both sides increasingly offer the same products and services.

### Customers/securities accounts (number)

	2004	2005	2006e	2007e	2008e
Comdirect	538,522	550,948	606,110	660,000	730,000
Cortal Consors	498,000	520,000	570,000	620,000	670,000
DAB bank	443,773	919,648	982,000	1,026,000	1,070,000
ING DiBa	347,000	458,135	585,000	710,000	835,000
Maxblue	500,000	530,000	560,000	590,000	620,000
Postbank Easytrade	394,000	440,000	480,000	520,000	560,000
s broker	95,000	125,000	136,200	150,000	175,000
Other	483,705	556,269	580,690	624,000	640,000
<b>Total</b>	<b>3,300,000</b>	<b>4,100,000</b>	<b>4,500,000</b>	<b>4,900,000</b>	<b>5,300,000</b>

Source: West LB Equity Research

### Market share: number of securities accounts of leading online brokers



2007e

## Strategy: DAB bank's unique business model

All our business activities revolve around the goal of profitable growth. The strategy we have adopted to achieve this goal comprises the three core elements described below.

### ▶ Focus on the markets of Germany and Austria

DAB bank is the No. 1 direct bank for securities-related services for individual investors, institutional investors and financial professionals in Germany and Austria. Recognizing the advantages of securities, more and more investors are purchasing not only shares and investment funds, but certificates as well, in the interest of building their retirement savings. These trends directly benefit DAB bank and *direktanlage.at*, both in the B2C business with individual investors and in the B2B business with asset managers, fund brokers and institutional investors. We offer services designed to accommodate the needs of today's investors both in Germany, through DAB bank, and in Austria, through our subsidiary *direktanlage.at*.

The rising volume of privately held assets, coupled with the growing interest in private financial and retirement planning and the heightened use of the Internet for banking and brokerage services, are the trends that are driving the growth of DAB bank both in Germany and Austria.

As a subsidiary of HypoVereinsbank, DAB bank is a member of the UniCredit group, situated within its Wealth Management division. As a direct bank specializing in securities-related services, DAB bank seeks to generate growth in this segment, particularly in Germany and Austria. We also intend to evaluate our chances in those markets in which UniCredit is active. Our bank's

affiliation with the internationally active UniCredit group will doubtlessly generate interesting opportunities for DAB bank in the medium-term and long-term future.

### ▶ Benefiting from positive stock market trends while being insulated from negative stock market trends

In 2000, more than three quarters of DAB bank's income was dependent on the trading behavior of its customers, while less than one quarter of the bank's income was not dependent on that behavior. But in 2006, as in the two preceding years, the situation was much different. Today only about 44% of DAB bank's income is dependent on the volume of trade orders placed, while about 56% is independent of our customers' trading activity. This reversal constitutes ample proof that DAB bank is on the right course.

Naturally, we took advantage of every opportunity to maximize our income in relation to stock market activities in 2006, while continuing to intensify our proactive sales activities. Thus, we conducted more than 56 product campaigns in 2006, utilizing every sales channel to inform our customers of the latest offering of products and services. Between January and December 2006, we sent out approximately 1.3 million direct mailings and 3.5 million e-mails and made 1 million telephone calls. All together, our proactive selling activities generated sales of about €637 million in 2006.

Our offering is unique both for its breadth and the absence of any affiliation with the issuers of securities. At DAB bank, investors can buy every mutual fund and certificate available in Germany, from every stock exchange or over-the-counter. Virtually no other direct bank offers as wide a selection of savings plans based on investment funds, certificates, ETFs and shares as DAB bank.

Private retirement planning is becoming a critically important issue for a broad swath of Germany's population. It is only natural, therefore, that our customers are increasingly in need of financial advice and support. To accommodate this need, DAB bank has been cooperating with Berlin-based SRQ FinanzPartner AG since the middle of 2005. At the end of 2006, we took the next logical step in our cooperation with SRQ by acquiring a 52.52% majority interest in that company's equity. This acquisition demonstrates our firm commitment to the core business of DAB bank. The acquisition represents a promising, long-term investment in one of Germany's fastest-growing asset management advisory firms, while securing permanent access for our individual investors to the skilled, impartial financial advice that SRQ can provide.

As a practical complement to our traditional brokerage services, we have offered our customers the chance to open a DAB current account, with ec card and credit card, since the autumn of 2006. By this means, our customers can also conduct their everyday banking business with us, in a simple and convenient manner.

▶ We seek to exploit the competitive advantages of our IT systems

The success of our company, both in the B2C segment and the B2B segment, can be credited in large part to the advantages of our advanced IT platform. Having invested considerable sums of money to upgrade our IT systems in the past few years, we regard them today as the basis for the future growth of our business. Thanks to these investments, we are now able to offer extensive technical support to our B2C customers and B2B partners.

Beyond the advantages mentioned above, we can also market the technical capabilities of our IT system to others, in the capacity of a service provider. Thus, other banks, financial service provider and investment companies can choose to maintain their custody accounts on our IT platform. By doing so, our partners can benefit from our efficient back-office processes and our extensive experience in the securities business. To cite one example, DAB bank assumed the custody and administration of 20,000 securities accounts for Volkswagen Bank, effective January 1, 2007.

Having migrated its custody accounts to our platform in mid-2006, FondsServiceBank is likewise poised for additional growth. This DAB bank subsidiary performs custody and administration of securities accounts for broker pools, mutual fund platforms and investment companies. We see considerable growth potential for this type of business in the coming years as well.

## Business developments and key indicators

### DAB bank with more than one million securities account customers

On a groupwide basis, DAB bank added 62,799 net new securities accounts in 2006, bringing the total to 1,018,519 securities accounts at year's end (end of 2005: 955,720), crossing the magical threshold of one million customers. All segments contributed to this growth, but the gains were especially strong in the B2B segment, where the number of securities accounts opened for the clients of our business partners increased by around 43% to 93,881 (year-end 2005: 65,801). We also registered impressive growth in the number of securities accounts opened for our individual investors, adding 12,494 such accounts, bringing the total to 439,692 at year's end (end of 2005: 427,198). Continuing the growth trend of previous years, FondsServiceBank added 22,225 net new securities accounts in 2006, for a total of 484,946 securities accounts at year's end (end of 2005: 462,721).

In Germany, DAB bank carried 976,256 securities accounts at December 31, 2006, representing a gain of 56,608 over the year-ago figure (year-end 2005: 919,648). In Austria, our subsidiary direktanlage.at added 6,191 net new securities accounts, for a total of 42,263 at year's end (end of 2005: 36,072).

#### Securities accounts

		2006	2005	Changes in %
Securities accounts	No.	1,018,519	955,720	6.6
Germany	No.	976,256	919,648	6.2
Austria	No.	42,263	36,072	17.2

### Nearly 11 million trades executed in 2006

The healthy state of the stock markets in 2006 had a positive impact on the trading activities of our customers. Our individual investors, in particular, showed greater interest in securities trading, compared with the previous year, and accordingly placed a higher number of orders with DAB bank. On a groupwide basis, the number of trades executed for our B2C customers increased 26.5% over the previous year (2005: 3,418,728) to reach 4,325,992. Of this number, 3,588,536 trades were executed in Germany (2005: 2,921,306) and 737,456 trades in Austria (2005: 497,422).

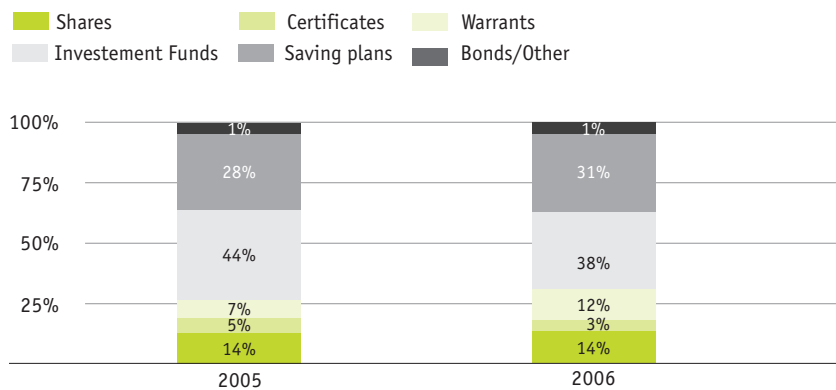
Taking advantage of the positive stock market environment, our B2B customers also stepped up their trading activity over the previous year. On a groupwide basis, the number of trades executed for our B2B customers increased 48% over the previous year. Of this number, 627,322 trades were executed in Germany, representing an increase of 35.4% over the previous year (2005: 463,239), and 121,266 trades were executed in Austria, representing a nearly three-fold gain over the year-ago figure of 42,634 trades.

#### Securities trades

		2006	2005	Changes in %
Securities trades	No.	10,890,064	9,494,762	14.7
Germany	No.	10,031,342	8,954,706	12.0
Austria	No.	858,722	540,056	59.0

DAB bank also registered higher trade figures in the segment represented by FondsServiceBank, which executed 5,815,484 (5,570,161) trades for customers in 2006. Due to system changes in the fourth quarter, these operational gains are not fully reflected in the year-end figures, but will instead show up in the first quarter of 2007.

#### Trades by category of securities (Germany) in % (B2C, B2B, FondsServiceBank)



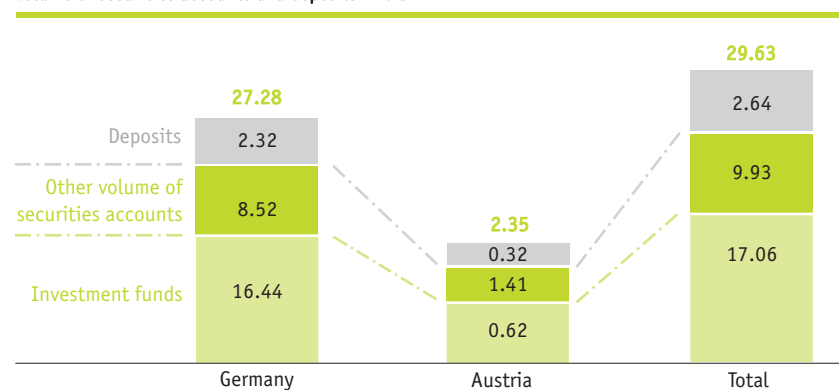
The trades executed for customers were substantially higher in the segments of the DAB bank group. In Germany, including FondsServiceBank, we executed 10,031,342 trades for our customers (2005: 8,954,706), 12% more than the previous year. Excluding FondsServiceBank, we executed 4,215,858 trades (2005: 3,384,545) for our B2B and B2C customers, representing a gain of approximately 25%. In Austria, the number of trades executed for customers increased 59% over the previous year (2005: 540,056) to reach 858,722.

On a groupwide basis, the number of trades executed per securities account per year increased from 10.47 in 2005 (8.12 excluding FondsServiceBank) to 11.03 in 2006 (9.89 excluding FondsServiceBank). In Germany, our customers executed an average of 10.58 trades per securities account per year (8.89 excluding FondsServiceBank), as compared with 10.25 in 2005 (7.52 excluding FondsServiceBank). In Austria, our customers executed an average of 21.92 trades per securities account per year (2005: 16.34).

## Customer assets hit record level

The volume of customer assets held in custody with DAB bank at year-end 2006 amounted to €29.63 billion, the highest level in the history of our company. Impressive growth rates were registered in all asset categories. The groupwide volume of customer assets held in securities accounts rose by nearly €4 billion to reach €26.99 billion. And the volume of customer assets held in the investment funds administered by DAB bank rose from €14.65 billion to €17.06 billion, also a new record. At €2.64 billion, the amount of cash held on deposit with DAB bank was likewise higher than the year-ago figure.

Volume of securities accounts and deposits in € bn



Volume of securities accounts and deposits

		2006	2005	Changes in %
Volume of securities accounts and deposits	€ bn	29.63	24.98	18.6
Germany	€ bn	27.28	23.23	17.4
Austria	€ bn	2.35	1.75	34.3
Volume of securities accounts	€ bn	26.99	23.09	16.9
Germany	€ bn	24.96	21.56	15.8
Austria	€ bn	2.03	1.53	32.7
thereof in investment funds	€ bn	17.06	14.65	16.5
Germany	€ bn	16.44	14.25	15.4
Austria	€ bn	0.62	0.40	55.0
Deposits	€ bn	2.64	1.89	39.7
Germany	€ bn	2.32	1.67	38.9
Austria	€ bn	0.32	0.22	45.5

The groupwide volume of customer assets held in custody within the B2C segment came to €10.62 billion (+11.4%). Of this amount, €8.84 billion was held in Germany (+9.0%) and €1.78 billion was held in Austria (+25.4%). The increase in customer assets within the B2B segment was even more pronounced, rising 31.5% to €12.27 billion, also a new record for DAB bank. Of this amount, €11.70 billion was held in Germany (+30.0%) and €0.57 billion was held in Austria (+72.7%). The volume of customer assets held in custody with FondsServiceBank increased as well, from €6.12 billion at year-end 2005 to €6.74 billion at year-end 2006.

In Germany, the total volume of customer assets held in custody came to €27.28 billion at the end of 2006 (+17.4%). The corresponding figure for Austria came to €2.35 billion (+34.3%), having crossed the two billion mark for the first time.

**B2C (business-to-consumer)**

		2006	2005	Changes in %
Securities accounts	No.	439,692	427,198	2.9
Germany	No.	407,767	397,895	2.5
Austria	No.	31,925	29,303	8.9
Trades executed	No.	4,325,992	3,418,728	26.5
Germany	No.	3,588,536	2,921,306	22.8
Austria	No.	737,456	497,422	48.3
Volume of securities accounts and deposits	€ bn	10.62	9.53	11.4
Germany	€ bn	8.84	8.11	9.0
Austria	€ bn	1.78	1.42	25.4
Volume of securities accounts	€ bn	9.22	8.34	10.6
Germany	€ bn	7.69	7.11	8.2
Austria	€ bn	1.53	1.23	24.4
thereof in investment funds	€ bn	2.74	2.50	9.6
Germany	€ bn	2.38	2.24	6.2
Austria	€ bn	0.36	0.26	38.5
Deposits	€ bn	1.40	1.19	17.6
Germany	€ bn	1.15	1.00	15.0
Austria	€ bn	0.25	0.19	31.6

**B2B (business-to-business)**

		2006	2005	Changes in %
Financial intermediaries*	No.	959	901	6.4
Germany	No.	812	789	2.9
Austria	No.	147	112	31.3
Securities accounts	No.	93,881	65,801	42.7
Germany	No.	83,543	59,032	41.5
Austria	No.	10,338	6,769	52.7
Trades executed	No.	748,588	505,873	48.0
Germany	No.	627,322	463,239	35.4
Austria	No.	121,266	42,634	184.4
Volume of securities accounts and deposits	€ bn	12.27	9.33	31.5
Germany	€ bn	11.70	9.00	30.0
Austria	€ bn	0.57	0.33	72.7
Volume of securities accounts	€ bn	11.03	8.63	27.8
Germany	€ bn	10.53	8.33	26.4
Austria	€ bn	0.50	0.30	66.7
thereof in investment funds	€ bn	7.58	6.03	25.7
Germany	€ bn	7.32	5.89	24.3
Austria	€ bn	0.26	0.14	85.7
Deposits	€ bn	1.24	0.70	77.1
Germany	€ bn	1.17	0.67	74.6
Austria	€ bn	0.07	0.03	133.3

\* Duplicate mention contained in FondsServiceBank

**FondsServiceBank**

		2006	2005	Changes in %
Germany				
Financial intermediaries	No.	33	20	65.0
Securities accounts	No.	484,946	462,721	4.8
Trades executed	No.	5,815,484	5,570,161	4.4
Securities accounts and deposits	€ bn	6.74	6.12	10.1
Volume of securities accounts	€ bn	6.74	6.12	10.1
thereof in investment funds	€ bn	6.74	6.12	10.1
Deposits	€ bn	0.00	0.00	0.0

\* Duplicate mention contained in B2B unit

**Securities accounts, trades and assets under custody subdivided into B2C, B2B and FondsServiceBank**

■ B2C ■ B2B ■ FSB



## Operating performance

DAB bank's consolidated pretax profit for 2006, calculated according to IFRS rules, was €35,006 thousand, 46.5% higher than the previous-year figure (2005: €23,891 thousand). Thus, our return on equity before taxes improved by 5.8 percentage points to 20.2% (2005: 14.4%). The net profit came to €21,971 thousand (2005: €19,268 thousand), 14% higher than the previous-year figure. The earnings per share for 2006 amounted to €0.29 (2005: €0.26).

The renewed, substantial increase in the company's profit resulted mainly from the positive development of commission income, especially in the investment fund business, and from the successful expansion of income that does not depend on customers' trading activity. The company's administrative expenses also increased in 2006 but at a lower rate than income.

### Renewed dividend increase

At the annual shareholders' meeting to be held on May 10, 2007, the Management Board and Supervisory Board will propose distributing the entire consolidated net profit for 2006 according to IFRS, in the amount of €21,804 thousand (2005: consolidated net profit of €13,534 thousand). That translates to a dividend of €0.29 per share, indicative of a 61% increase over the previous year (2005: €0.18 per share). By means of this proposal, the management of DAB bank means to underscore the bank's sustained profitability and ensure continuity in its dividend policy.

## Net financial income

At €30,275 thousand, the net financial income for 2006 was nearly unchanged from the previous year (2005: €30,941 thousand), while interest rates were substantially higher. At €43,546 thousand (2005: €40,582 thousand), the net interest income before credit loss provisions was substantially higher, due mainly to the higher level of interest rates and the sharply higher volume of customer assets in deposit accounts. The trading profit resulting from the positive change in value of the securities held in the bank's portfolio for purposes of the DAB bond and hedge fund certificate market improved slightly from €2,662 thousand to €2,827 thousand. As a negative component, the net financial income for 2006 also contained realized and unrealized losses on the bank's holdings of primarily interest-linked securities, in the amount of €16,098 thousand (2005: €12,303 thousand).

### Credit risk provisions

An amount of €1,068 thousand was allocated to the credit risk provisions and an amount of €489 thousand in previous allocations was reversed, so that, on balance, the credit risk provisions increased by €579 thousand in 2006. Amounts recovered on charged-off receivables totalled €68 thousand.

### Net commission income

The consolidated net commission income for 2006 amounted to €128,590 thousand, representing a very impressive 28.4% gain over the previous year (2005: €100,124 thousand). Due to the fact that the commission income and commission expenses of FondsServiceBank are no longer stated on a net



basis, but are included as separate components in the consolidated accounts as of June 2006, the commission income and commission expenses were both substantially higher than the corresponding prior-year figures.

The main factors contributing to this impressive result were the big jump in the number of trades executed for customers, the higher level of commission income from the investment fund business and the continued, successful increase in non-trading income.

### Administrative expenses

The administrative expenses for 2006 amounted to €129,037 thousand, 10.5% higher than the previous-year figure (2005: €116,766 thousand). This rate of increase was substantially lower than the previous year's rate of increase (21.5%) and also less than the rate of increase in commission income in 2006.

At €37,920 thousand, the personnel expenses for 2006 were nearly unchanged from the previous year (2005: €37,523 thousand). Thus, we successfully handled the increased volume of business without sustaining an increase in our personnel expenses. The depreciation and amortization of property, plant and equipment and intangible assets charged in 2006 amounted to €8,224 thousand, 5.5% less than the previous-year figure (2005: €8,704 thousand). The expenses for marketing activities rose 20.7% over the previous year (2005: €9,661 thousand) to reach €11,659 thousand. Overall, the IT expenses declined slightly, from 19,746 thousand in 2005 to €18,828 thousand in 2006. The communication expenses rose from €7,145 thousand in 2005 to €8,231 thousand in 2006, while securities settlement and clearing expenses rose to €21,232 thousand (2005: €15,317 thousand).

These increases resulted from the heightened numbers of trades executed for customers overall, on the one hand, and from the higher level of securities settlement and clearing expenses for the business taken over from FondsServiceBank on DAB's technical platform.

The category of other miscellaneous administrative expenses amounted to €22,943 thousand (2005: €18,670 thousand). These expenses were influenced primarily by the cost of purchased support services in connection with corporate projects.

### Pretax profit from ordinary activities

The consolidated pretax profit for 2006 amounted to €35,006 thousand (2005: €23,891 thousand). DAB bank AG contributed €25,574 thousand (2005: €18,749 thousand) and direktanlage.at AG contributed €9,432 thousand (2005: €5,142 thousand) to this result. The profit contribution of DAB bank AG was 36.4% higher and that of direktanlage.at AG was 83.4% higher than the corresponding prior-year figures. Also, the pretax profit figure for 2006 was 6.1% higher than our stated goal of €33 million for the group.

## Net profit for the year

After income taxes, the net profit for the year came to €21,971 thousand (2005: €19,268 thousand). The earnings per share were €0.29 (2005: €0.26).

## Cost-income ratio

The cost-income ratio improved from 83.4% in 2005 to 78.7% in 2006. Thus, we also exceeded our goal of reducing the cost-income ratio to below 80%.

The total income figure used for calculating the cost-income ratio amounted to €164,043 thousand on a groupwide basis (2005: €144,057 thousand) and the total expenses amounted to €129,037 thousand (2005: €116,766 thousand) on the same basis.

## Developments at direktanlage.at AG

Our subsidiary direktanlage.at AG reported extremely good results for the third year in a row. At €9,432 thousand, the pretax profit for 2006 was 83.4% higher than the previous year's record profit figure (2005: €5,142 thousand), and therefore the best result in the history of direktanlage.at AG to date.

The customer base swelled from 36,072 in 2005 to 42,263 in 2006, indicative of a 17.2% increase. Customer assets held in custody increased 34.3% in 2006, to €2.35 billion (2005: €1.75 billion).

The net interest income of direktanlage.at gained 37.7% in 2006 to reach €7,153 thousand (2005: €5,196 thousand). Net commission income jumped 41.2% to €19,451 thousand (2005: €13,777 thousand). The net financial income amounted to €6,876 thousand (2005: €5,317 thousand).

To accommodate the sharply higher business volumes in 2006, it was necessary to accept a higher level of administrative expenses at direktanlage.at. Thus, the personnel expenses rose 29.7% to €6,382 thousand (2005: €4,919 thousand) and the other administrative expenses rose 24.6% to €10,211 thousand (2005: €8,198 thousand). At €645 thousand, the depreciation and amortization of property, plant and equipment and intangible assets were slightly lower than the previous-year figure (2005: €688 thousand).

The net other operating income improved to €413 thousand in 2006, after the negative result recorded in the previous year (2005: -€127 thousand).

## Balance sheet

### Total assets and development of individual balance sheet items

The total assets of DAB bank at December 31, 2006 amounted to €3,361,923 thousand (2005: €2,510,544 thousand). The gain over the previous year was mainly due to the strong increase in customer deposits.

At €473,770 thousand, the receivables due from customers were nearly unchanged from the previous year (€473,917 thousand). The credit risk provisions declined substantially, by 36.5%, to reach €2,111 thousand (2005: €3,327 thousand). The receivables due from banks climbed 87.8%, from €381,322 thousand in 2005 to €716,099 thousand in 2006, and financial assets rose 34.9%, from €1,432,326 thousand in 2005 to €1,932,227 thousand in 2006. These gains were driven by the considerably higher level of deposits with other banks and the heightened volume of securities held by DAB bank, both of which resulted, in turn, from the higher level of customer deposits. The liabilities due to customers at December 31, 2006 amounted to €2,810,970 thousand, representing an increase of €654,875 thousand over the previous year (2005: €2,156,095 thousand). This gain likewise resulted from the considerably higher level of customer deposits in 2006. The subordinated capital showed an increase of nominal €10,000 thousand in 2006, reaching €20,029 thousand at year's end, as compared with €10,002 thousand at the end of 2005. The group's consolidated equity amounted to €177,584 thousand at the balance sheet date, as compared with €169,616 thousand at the prior-year balance sheet date. After the distribution of the planned dividend, the consolidated equity will still amount to €155,780 thousand.

## Key regulatory ratios of DAB bank

The weighted risk assets of the DAB bank group, including market risk positions, amounted to €840 million at the end of 2006, representing an increase of €25 million over the prior-year figure. The risk assets at the balance sheet date amounted to €802 million (2005: €765 million), while the market risk positions declined to €3 million, after €4 million at year-end 2005.

The regulatory core capital of the DAB bank group, calculated according to the applicable rules of German commercial law, came to €66 million at December 31, 2006, higher than the previous-year figure. The supplementary capital that exists alongside the core capital increased to €18 million in 2006, after €8 million in 2005, as DAB bank took out a subordinated loan in the amount of the difference. Total liable equity amounted to €84 million at year-end 2006, after €72 million at year-end 2005.

The resulting equity ratio was 10.5% (2005: 9.4%) and the core capital ratio was 8.2% (2005: 8.4%). As in earlier periods, these ratios are well above the minimum required levels of 8.0% for the equity ratio and 4.0% for the core capital ratio.

Bank regulators in Germany evaluate the liquidity of banks with reference to the liquidity indicator known as Principle II, which is calculated independently by the group companies. This indicator represents the ratio of cash and cash equivalents available within a given month to the payment obligations that can fall due within the same month. The bank's liquidity is deemed to be adequate if the Principle II ratio is at least 1.0. The Principle II ratio of DAB bank AG at December 31, 2006 came to 5.18 (2005: 7.54). Thus, adequate liquidity has been assured at all times.

DAB bank is a member of the German deposit insurance fund of the German bankers association Bundesverband deutscher Banken e.V., Cologne. Under the deposit insurance fund, the deposits of every customer of DAB bank are insured up to an amount of currently €24,771 thousand. In addition, DAB bank is also a member of the compensation fund *Entschädigungseinrichtung deutscher Banken GmbH*.

## Our employees

As usual, our employees performed outstanding work in 2006. In particular, the migration of the custody accounts of FondsServiceBank to the IT systems of DAB bank was a highly demanding project that could not have been successful without the above-average dedication and hard work of our employees. In another project, many of our employees were involved in the migration of 20,000 custody accounts from Volkswagen Bank to the DAB bank platform, effective January 1, 2007. Already in 2006, a team of employees began preparations for the company's move into new offices at the nearby Laimer Würfel office tower, which will take place in spring 2007.

As a rule, all our employees receive a fixed component of salary and a variable component that depends on the company's results and the employee's performance. The amount of variable compensation awarded is determined with reference to the employee's organizational position. In this respect, skilled experts are treated the same as managers. In addition, those employees who work in sales-related functions receive a variable salary component that ranges from 0% to 200%, depending on their individual sales performance. Those employees who work on the Sales & Expert Team, calling customers to inform them of sales and product campaigns, receive a direct commission on the sales they generate, in lieu of the variable salary component.

A similar system of variable compensation components based on the company's results and the employees' performance is practiced at *direktanlage.at* in Austria.

The workforce of the DAB bank group declined from 675 persons (598 full-time equivalents) at year-end 2005 to 646 persons (580 full-time equivalents) at year-end 2006. In Germany, DAB bank had 474 full-time employees at December 31, 2006 (year-end 2005: 504); in Austria, *direktanlage.at* had 106 employees (2005: 94). The average age of the employees is 34. The average length of service with the company is about five years. The workforce of *direktanlage.at* increased from 94 employees to 106 employees (full-time equivalents).

### Employees

		2006	2005	Changes in %
Employees (headcount)	No.	646	675	-4.3
Germany	No.	531	573	-7.3
Austria	No.	115	102	12.7
Employees (full-time)*	No.	580	598	-3.0
Germany	No.	474	504	-6.0
Austria	No.	106	94	12.8

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

## Important events after December 31, 2006

Effective March 31, 2007, Mr. Jens Hagemann resigned his seat on the Management Board of DAB bank AG. To succeed him, the Supervisory Board appointed Mr. Ernst Huber, Chairman of the Management Board of direktanlage.at AG (Salzburg), the wholly-owned subsidiary of DAB bank. Effective March 1, 2007, Mr. Huber will assume his duties as a member of the Management Board of DAB bank AG, in addition to his post on the Management Board of direktanlage.at AG in Austria.

## Report on relations with affiliated companies

At December 31, 2006, UniCredito Italiano S.p.A., Genoa, Italy, indirectly held, through its majority interest in Bayerische Hypo- und Vereinsbank AG, Munich (HVB), and HVB directly held 76.36% of the equity in DAB bank AG. By virtue of this majority holding, DAB bank is a directly dependent subsidiary of HVB. The voting rights connected with this investment are ascribed to UniCredito Italiano S.p.A. in accordance with article 21 paragraph 1, article 22 paragraph 1 clause 1 number 1 of the German 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 2006 financial year (known as the Dependency Report), which closes with the following declaration:

"For the legal transactions listed in the report on the relationships with 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 Corporations Act (AktG) were taken or omitted."

## 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, 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, 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 management for the strategy of the bank

The management adopts the strategy that reflects 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 a consistent limit structure.

Moreover, it is a basic prerogative of the management to establish the business objectives of the company and to 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 management and department 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 to implement the strategy and the corresponding organizational directives and instructions.

### ▶ 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 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 on 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 Risk Management of Banks in Germany (MaRisk).

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 on all levels of the organizational hierarchy a heightened, comprehensive awareness of risk, also for 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 they 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 under 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 promptly 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 instance, 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 key 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 avoid 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 responsibility, 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 minimize risks. Because risk management is integrally linked with the strategy planning and execution process, our risk policy is prescribed 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.

The organizational units responsible for risk management 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 €2 million are approved by the Credit Committee. The Credit Committee currently consists of seven members, including the full Management Board. In accordance with the Minimum Requirements for the Risk Management of Banks decreed by the German Federal Financial Supervisory Authority (BaFin), the committee is structured in such a way that the back-office loan approval instance cannot be overruled. Moreover, to be approved, any loan exposure must be compatible with the credit risk strategy of DAB bank adopted by the management in consideration of the risk absorption capacity of the bank, based on their analysis of the situation from the viewpoint of business strategy.

The trading strategy is operationally implemented in the operating units and by the Investment Committee. The Investment Committee bears the ultimate responsibility for shaping the trading and investment strategy. This committee is composed of the Management Board, the Head of Trading, Treasury & Products, the Trading Director and the Head of Finance & Legal. 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, less 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 Head of Finance & Legal.

## Internal audit

DAB bank has taken the necessary 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.

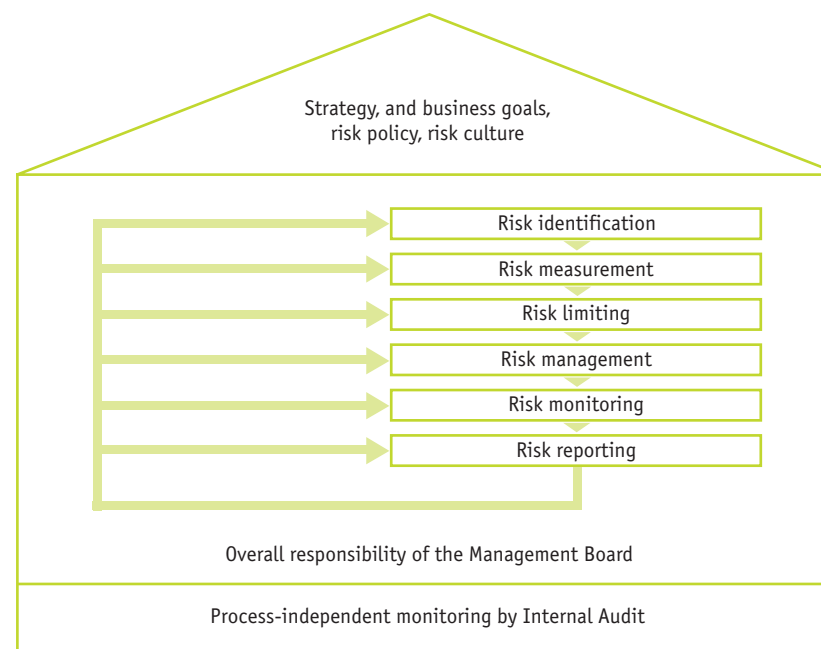
In accordance with the Minimum Requirements for the Risk Management of Banks (MaRisk) decreed by the German Federal Financial Supervisory Authority, all operational and business processes, and the independent operating units of the DAB bank group, are audited at appropriate intervals of time, but not 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 the audit results.

To allow for comprehensive monitoring of the entire group, the internal audit functions of DAB bank AG and direktanlage.at AG operate under the functional authority of the Internal Audit department of DAB bank AG.

## 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 Management Board and 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 functional departments and operating units in consideration of the attendant risks. New risk drivers, in the form of new products or markets, for example, are assessed and approved in adherence with a defined process. Final approval lies with the 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 training.
- ▶ 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, heretofore unidentified risks can arise from changes in the operating environment or from the development and introduction of innovative new products and or product/market combinations. Insofar as newly identified risks cannot be classified within the existing risk profile, the risk profile must be revised. In each case, the revision or extension of the risk profile must be approved by all relevant departments, so that any necessary adjust-

ments 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 measurement is the responsibility of Risk Controlling.

### Risk limitation

The limitation of risk entails the necessity of developing appropriate systems and procedures to limit risks. In the case of quantifiable risks, numerical limits must be indicated. 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 Minimum Requirements for the Risk Management of Banks, all limits are determined by application of the risk absorption capacity method. 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). Risk limitation is the responsibility of Risk Controlling.

### 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 on the level of specific transactions and on the portfolio level. The task of passive risk management is to influence the root causes of risk, both on the level of individual transactions and 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 management is the responsibility of the market/sales departments and the management.

### Risk monitoring

Risk monitoring entails the continuous monitoring of risk limits on all levels of quantitative risks, 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 monitoring is the responsibility of Risk Controlling.

## Risk reporting

All relevant decision-makers, from 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 communication process 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 Supervisory Authority (BaFin) and the German Bundesbank. The necessary risk information is also provided to the independent auditors in connection with external audits. Risk reporting is the responsibility of Risk Controlling.

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 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
- ▶ Reputation risk
- ▶ Liquidity risk
- ▶ Business risk
- ▶ Strategic 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 or counterparties. 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.

DAB bank also ascribes market liquidity risk to the market price risk. Market liquidity risk refers to the possibility that the bank's positions in a given product cannot be liquidated within a certain period of time without a significant change in value.

### 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.

### Reputation risk

Reputation risk refers to the possibility that public confidence in the integrity of an 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 refers to the risk that actual cash flows would differ from the expected cash flows, either in terms of their amount or timing, which could possibly entail the result that DAB bank would not be able to meet all its payment obligations on time or could do so only at an increased cost to the company, because additional funding could be raised only at higher market rates of interest. Liquidity risks are sub-divided into substitution risks, payment deadline risks and payment outflow 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.

Due to the high level of dependency on commission income from trading activities, we at DAB bank understand business risk to mean, in particular, the possibility that planned trading income and expenses from trading activities cannot be achieved as a result of worse-than-expected market and competition conditions.

## Strategic risk

Strategic risk issues from the possibility that the company's management would fail to recognize or correctly assess important developments and trends in the banking sector. In such an event, the 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.

## 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 the HVB group in order to ensure the adequacy and consistency of the methods employed both by DAB bank AG and the 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 continuously updated.
- ▶ The validity of all the statistical methods used is verified by means of back-testing procedures.
- ▶ Risk Management and Risk Controlling work together, each contributing their specialized knowledge to the development and refinement of appropriate bank-wide 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.



## 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 2006, the risk coverage assets of DAB AG amounted to €190.3 million (2005: €152.8 million). In consideration of an aggregated risk capital of €73.7 million, the rate of utilization of the risk coverage assets of DAB AG is 38.8%. At year-end 2006, the risk coverage assets of direktanlage.at amounted to €19.2 million (2005: €15.2 million). In consideration of an aggregated risk capital of €11.7 million, the rate of utilization of the risk coverage assets of direktanlage.at is 60.8%.

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 the end of 2006 are presented in the table below:

in € mn	Risk capital	Risk capital requirement	Utilization	Risk capital	Risk capital requirement	Utilization
as of 12/31	2006	2006	2006	2005	2005	2005
<b>Market risk</b>						
Germany	50.00	12.78	25.56%	33.20	19.71	59.36%
Austria	6.25	2.64	42.24%	5.00	4.90	98.00%
<b>Default risk</b>						
Germany	25.00	19.08	76.32%	15.50	9.16	59.09%
Austria	2.25	3.70	164.44%	1.50	1.21	80.66%
<b>Business risk</b>						
Germany	30.00	29.10	97.00%	42.50	17.63	41.48%
Austria	3.50	3.46	98.86%	3.50	2.06	58.85%
<b>Operational risk</b>						
Germany	25.00	12.79	51.16%	32.00	15.87	49.59%
Austria	3.00	1.87	62.33%	2.50	2.34	93.60%

## Capital-based performance indicators

By means of active capital management, DAB bank seeks to optimize the risk-return profile of the Group. 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 and the Supervisory 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 & Products department and the B2B Sales department. 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 at least once a year by the Management Board and may not be exceeded.

In its limit system, DAB bank 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 closely monitored.

The 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 daily measurement and management, counterparty, issuer and country risks are quantified based on the 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 2006

The default risks inherent in the positions maintained for our customers and for our own account at December 31, 2006 are presented on an aggregated basis in the table below:

Default risk		
in € mn	2006	2005
<b>as of 12/31</b>		
<b>Germany</b>		
Credit VaR	19.08	9.16
Limit	25.00	15.50
Utilization	76.32%	59.09%
<b>Austria</b>		
Credit VaR	3.70	1.21
Limit	2.25	1.50
Utilization	164.44%	80.66%

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

## Derivative instruments as of 12/31/2006

in k€	Notional Amount				Default risk	Market Values
	Residual Term			Total		
	Up to 1 Year	1 to 5 Years	> 5 Years			
<b>Interest-based derivatives</b>	20,078	-	-	20,078	65	-
OTC products	-	-	-	-	-	-
Exchange-traded instruments						
Interest futures	1,623	-	-	1,623	14	-
Options on interest futures	18,455	-	-	18,455	51	-
<b>Currency-based derivatives</b>	362,056	5,323	-	367,379	10,585	-
OTC products						
Currency futures	362,056	5,323	-	367,379	10,585	-
Currency options						
-Purchases	-	-	-	-	-	-
-Sales	-	-	-	-	-	-
Other currency contracts	-	-	-	-	-	-
Exchange traded instruments						
Currency futures	-	-	-	-	-	-
Currency options	-	-	-	-	-	-
<b>Stock/index-based instruments</b>	163,387	4,697	-	168,084	8,358	-
OTC products						
Stock/index swaps	-	-	-	-	-	-
Stock/index options						
-Purchases	-	-	-	-	-	-
-Sales	-	-	-	-	-	-
Other stock/index contracts	-	-	-	-	-	-
Exchange-traded instruments						
Stock/index futures	7,304	-	-	7,304	245	-
Stock/index options	156,083	4,697	-	160,780	8,113	-
<b>Total</b>	545,521	10,020	-	555,541	19,008	-

## Counterparty types

in k€	Notional amount		Default risk	
	2006	2005	2006	2005
OECD-banks	277,771	331,377	10,416	3,910
Other institutions and private individuals	277,771	331,377	8,592	20,712
<b>Total</b>	<b>555,541</b>	<b>662,754</b>	<b>19,008</b>	<b>24,622</b>

## Market price risk

## Risk management

The Trading Treasury & 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 also to the regulatory requirements and the internally defined market risk processes of the bank. For this purpose, derivative instruments are employed as well.

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

## Risk monitoring

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 at least every year and may not be exceeded.

When the limits appear to have been exceeded in sub-portfolios, 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 2006. The market risk controlling function 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 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 break-down of all correlations.

## Situation of market risk in 2006

The market risks inherent in the own-account trading positions of DAB bank at December 31, 2006 are presented on an aggregated basis in the table below.

<b>Market risk</b>		
<b>in € mn as of 12/31</b>	<b>2006</b>	<b>2005</b>
<b>Germany</b>		
Total VaR	12.78	19.71
Limit	50.00	33.20
Utilization	25.56%	59.36%
Interest rate risk	5.54	10.73
Limit	19.61	17.40
Utilization	28.25%	61.66%
Share price risk	7.12	8.24
Limit	27.20	12.70
Utilization	26.17%	64.88%
FX risk	0.12	0.70
Limit	3.16	3.16
Utilization	3.83%	22.00%
<b>Austria</b>		
Total VaR	2.64	4.92
Limit	6.25	5.00
Utilization	42.24%	98.40%

## Operational risk

### Risk management

Managing operational risk is the responsibility of the respective operating units. These activities are conducted with the aid of an internally defined, operational risk management process that was introduced in 2005 and further developed in 2006. The operational risk managers in the respective operating units are responsible for the operational implementation and execution of this process, which entails the collection, analysis, evaluation and quality assurance of risk data and the planning of appropriate measures. Their work is coordinated and monitored by a central operational risk manager.

The necessary steps that must be taken to calculate the capital requirements according to Basel II, and specifically to calculate the required capital charge for operational risk according to the standard approach, were evaluated in 2006 in order to ensure that these calculations can be performed as of January 1, 2008. These measures will be finalized in 2007.

### Risk monitoring

The deficit amounts resulting from operational risks and from losses at DAB bank are identified and analyzed with the aid of a loss database, which provides the basis for a targeted, detailed investigation of causes. Risk Controlling keeps the operating units and the Management Board informed of events as they occur by means of regular reports.

Working together with the risk management experts, the operating units conduct a structured risk assessment to gauge their specific operational risks. As part of this process, all significant risk factors are evaluated with a view to the potential frequency and amount of losses. Such assessments are also aimed at events that occur very rarely but harbor the potential for major losses.

### Situation of operational risk in 2006

The operational risks of DAB bank at December 31, 2006 are presented on an aggregated basis in the table below.

#### Operational risk

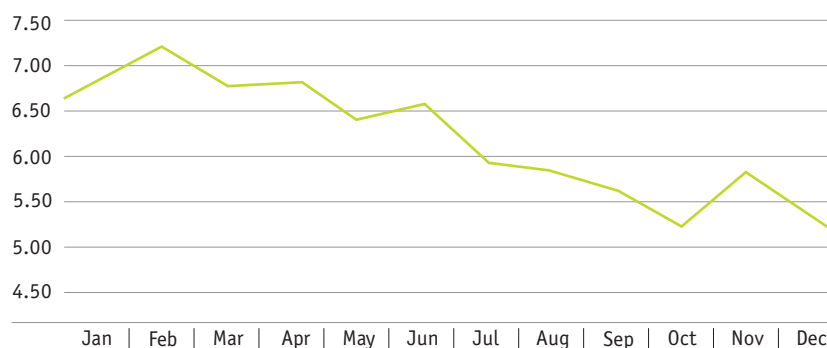
in € mn as of 12/31	2006	2005
<b>Germany</b>		
Risk	12.79	15.87
Limit	25.00	32.00
Utilization	51.16%	49.59%
<b>Austria</b>		
Risk	1.87	2.34
Limit	3.00	2.50
Utilization	62.33%	93.60%

### Liquidity risk

To measure short-term liquidity risk, we currently apply the calculation method prescribed by the regulatory authority for calculating the Liquidity Principle. This indicator is calculated and monitored on a daily basis.

The relevant indicator for assuring the bank's solvency at all times, the Principle II ratio for Maturity Band I, was always higher than 5.0 during the course of 2006, and thus well above the minimum value of 1, which must be reported to the regulatory authority in connection with Principle II. At the end of December 2006, this ratio was 5.18, unchanged from the previous month.

#### Principle II liquidity ratio 2006



A liquidity management system that meets the regulatory requirements of Basel II, and specifically the Basel consultation paper entitled "Sound Practices for Managing Liquidity in Banking Organizations," as well as the current Liquidity Principle requirements and the Minimum Requirements for the Risk Management of Banks (MaRisk), was developed in 2006 in connection with a master's degree thesis. This system enables the management of DAB bank to manage the bank's liquidity reserves in an optimal and effective manner. It is used to generate a daily "maturity ladder," representing the maturity structure of payment flows resulting from the bank's business activities. The system also models future payment flows and measures the liquidity risks. The liquidity management system will be completely integrated into DAB bank's risk management system during the course of 2007.

## 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 monitoring

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 rep-

resents 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 risks in 2006

The business risks of DAB bank at December 31, 2006 are presented on an aggregated basis in the table below.

<b>Business risk</b>		
<b>in € mn as of 12/31</b>	<b>2006</b>	<b>2005</b>
<b>Germany</b>		
Risk	29.10	17.63
Limit	30.00	42.50
Utilization	97.00	41.48%
<b>Austria</b>		
Risk	3.46	2.06
Limit	3.50	3.50
Utilization	98.86%	58.85%

Besides the continued practice of strict cost management, we also took steps to increase the bank's income-generating capacity in 2006.

The further optimization of the methods used to measure and monitor business risks was the subject of a master's degree thesis that was begun in 2006 and will be completed in 2007.



## Other risks

### Risk management

Other risks refer to non-quantifiable risks such as strategic risk and reputation risk. Managing the strategic risks and reputation risks of DAB bank is part of the general management responsibility of the Management Board.

### Risk monitoring

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 constant 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, steps are taken 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.

## Basel II

In connection with the implementation of the Basel II requirements, we have completed the technical analysis for Pillar 1. The technical implementation will take place in the first half of 2007. DAB bank has chosen to exercise the elective option allowed by Section 339 (10) SolvV-E, so that it will continue to apply the former Principle I methodology until January 1, 2008.

The required measures for implementing Pillars 2 and 3 in accordance with the requirements of Basel II have been largely completed. The procedures were adopted to suit the Minimum Requirements for the Risk Management of Banks.

## 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 2007, we will continue to focus our attention primarily on business risks, liquidity risks and operational risks. Based on the 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 continue to expand at a respectable rate in 2007, but the potential rate of growth will be somewhat weaker. We anticipate that the U.S. economy in particular will lose momentum in 2007. The economies of the euro zone and East Asia will continue to expand at a fast rate, though not as fast as before. The economic expansion phase is expected to continue in Europe and in the emerging economies of Asia, offsetting the anticipated slowdowns in the United States and Japan. The overall growth rate of the global economy in 2007 is expected to be between 4.5% and 5%.

According to current estimations, the economic expansion phase is expected to stabilize further in the euro zone and Germany. It is also expected that the solid inflow of orders and the continued high level of business investment on the part of the big European corporations will lead to further hiring in the labor markets. The gross domestic product of Germany is expected to expand at a rate of about 1.7 % in 2007. This expansion will result from the more favorable economic conditions created by strong exports and heightened consumer spending in 2006, which is also influenced by the higher rate of value-added tax to be imposed in 2007. The tax increase will induce a slight loss of private-sector purchasing power in 2007. The economic upswing that began in 2006 will likely also have a noticeably positive impact on the labor markets in 2007. It is expected that the number of unemployed people will decrease by about 480,000; therefore the unemployment rate will decline by 1,2 percentage points to 9.6%. The number of jobs for which social insurance contributions are mandatory will increase by an annual average of 300,000.

In the opinion of leading economic research institutions, the volatility of energy prices will continue to pose a serious risk to economic development in Germany in 2007. As long as price increases remain within the realm of expectations, they will likely not derail the economic expansion. The Austrian economy is expected in 2007 to grow at an above-average rate of 2.5%, compared with the rest of the euro zone, accompanied by below-average inflation of slightly less than 2%.

DAB bank intends to continue on a course of profitable growth in 2007. We regard the following factors as being the most significant for our business development in 2007:

- ▶ Progress of megatrends
- ▶ Developments in the stock market, trading volumes
- ▶ Interest rates
- ▶ Volume of customer assets under custody, customer growth

## Progress of megatrends

The megatrends affecting our business will continue to progress in 2007, creating the potential for profitable growth.

Among other things, the direct banking market will continue to experience solid growth. By our estimates, the number of people who are direct banking customers will swell from about 10 million people in 2006 to about 18 million in 2008. As a result, direct banks will grab a larger share of the overall market for banking services, as customers continue to be dissatisfied with their conventional banks.

The growing interest in private retirement planning and wealth accumulation is a trend that will only gather steam in the coming years. In our estimation, this trend will lead to increased purchasing of securities as an investment vehicle. In this regard, both Germany and Austria can be expected to narrow the gap with other European countries.

The demand for independent financial advice and unaffiliated product offerings will continue to grow in the future. As a result of this trend, the independent financial advisors will steadily gain market shares at the expense of the established banks.

By our estimates, the number of affluent banking customers will increase noticeably in the coming years. Both the number of affluent households and the volume of financial assets they hold are expected to increase at an average rate of 5% per year through 2008, with some segments growing at a much faster rate.

All in all, we believe that DAB bank's business model provides excellent chances for continued profitable growth in 2007. The megatrends discussed above underscore this assumption. Nonetheless, there remain certain imponderable factors, such as the future shape of regulatory requirements, including the uncertainty surrounding the final implementation of the Markets in Financial Instruments Directive (MiFID) and the Basel II requirements. These factors cannot be definitively evaluated at the present time.

## 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 crucial 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, especially among the group of active individual investors, because the prospects for rising share prices and profits 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, both by existing customers and new customers, is the single most important factor affecting the bank's net commission income.

We anticipate that the stock market environment will be largely positive in 2007, although it may exhibit increased volatility later in the year. We anticipate that the leading stock indexes of Germany and Europe will end the year on a higher level.

Also, we anticipate that the number of trades executed for our customers will continue to grow in 2007 as our customers engage in heightened trading activity.

### Interest rates

Interest rate changes also affect the bank's business in various different ways. Rising interest rates automatically increase our funding and capital costs, but also offer the possibility of widening our margins by adjusting the interest rates we charge to our customers. 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.

For 2007, we currently anticipate that interest rates will remain steady, with a slight tendency to rise in the short-range maturities.

### Customer assets under custody, customer growth

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.

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.

In our core business of brokerage services, we will seek to increase the volume of customer assets held in custody. We intend to achieve this goal principally through continued internal growth of our customer base. To this end, we intend to exploit our broadened range of products designed for retirement planning and asset accumulation, as well as our complementary DAB current account product. In the area of independent financial advice, we expect that our intensified cooperation with SRQ Finanzpartner AG resulting from the acquisition of a majority interest in that company will further support this goal.

## Outlook for 2007

Our goal for 2007 is to increase the groupwide pretax profit by slightly more than 25% to €45 million. This goal is based on the assumption that the stock market environment will be similarly positive in 2007 as in 2006, though with greater volatility. Besides generating a higher level of net commission income, we expect to generate a higher level of net interest income as well.

The business strategy of DAB bank is geared to profitable growth. Geographically, our business is focused on the markets of Germany and Austria, where we serve both individual investors and business customers. In Germany, our business additionally comprises the service offering of FondsServiceBank and the back-office services we market to other financial institutions.

In the segment of asset managers, mutual fund brokers and institutional investors, we intend to position our bank as a high-quality service provider with an attractive cost-benefit ratio for our customers. We intend to expand our B2B business through targeted customer acquisition, including financial intermediaries and their clients as well. This goal will be actively supported by actions such as our investment portfolio analysis service (Depotcheck).

In our business with individual investors, we intend to participate in the growth of the overall online brokerage market. To this end, we will boost brand familiarity and sympathy through targeted communication and marketing activities.

In the segment represented by FondsServiceBank, we intend to bolster this company's positioning in the market by convincing financial intermediaries of FSB's distinct advantages. We will seek to exploit FSB's perceived potential through new customer acquisition, even more efficient processes and an expanded product portfolio.

In all three business segments, operational excellence is of the utmost importance to us, both in the services we provide and in our back-office operations. In the interest of always offering the best cost-benefit ratio to our customers, we intend to focus our efforts on improving the quality of our services. We will achieve this goal by introducing innovative new products, further enhancing the efficiency of our processes and cooperating even more closely with our business partners.

Apart from all that, we intend to further boost the profitability of DAB bank. In summary, our goals for 2007 are expressed as follows:

1. To increase the groupwide pretax profit by slightly more than 25% to €45 million
2. To reduce the cost-income ratio to a level below 75%
3. To increase customer assets under custody to more than €33 billion

## Net commission income

The number of trades executed for account 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 of products that do not depend on stock market trends.

## Net financial income

Assuming that the volume of cash on deposit in our current accounts continues to increase, we anticipate a substantially improved net interest income for 2007. If, on the other hand, interest rates were to develop in a different manner than we have anticipated, such a development would pose a risk to our earnings performance. We expect that the rate of increase in provisions for possible losses will be substantially 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 income 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

According to current estimates, the world economy will experience a similarly positive development in 2008 as in 2007, despite a moderate slowdown. Thus, it can be expected to expand at a rate of 3.0% to 3.5% in 2008. The economies of the United States and China will lose some momentum, while the economies of the euro zone, the BRIC countries (Brazil, Russia, India and China) and the Baltic states could well experience extremely dynamic growth in 2008, after overcoming some difficulties in 2007.

The German economy can be expected to grow at a rate of about 2% in 2008, as the upswing that began in 2006 will carry through and gather momentum. The economic expansion in Germany will be driven in large part by the business sector, as the strong foreign demand for German goods, coupled with the positive effects of corporate restructuring measures, will lead to substantially higher corporate profits and therefore business investment as well. The corporate income tax reform planned for 2008 should further enhance Germany's appeal as a place to do business.

Stock markets around the world will respond positively to the stable growth of the global economy. Nonetheless, experts are concerned that worldwide inflationary pressures could put a damper on economic growth, as the central banks raise key interest rates to combat inflation.

In view of the forecasted development of the economic environment, we continue to be optimistic about our chances for success in the subsequent years. Our business goals for the subsequent years are based on the following assumptions:

- ▶ Sustainability of the DAB bank business model  
Thanks to its emphasis on qualitative growth and the growing proportion of income that does 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 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. These trends favor the success of our business.
- ▶ Trend towards private retirement planning  
In our customers, we see an uninterrupted trend towards private retirement planning. Our product offering, coupled with the independent financial advice provided by SRQ FinanzPartner AG, is perfectly designed to satisfy this trend.
- ▶ Trend towards 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 most from this trend by virtue of our strategic positioning and our in-depth expertise in the area of investment funds and certificates.

- ▶ Further diversification  
The further diversification of our products and services will generate additional profits in all our business segments.
- ▶ Affiliation with the internationally active UniCredit group  
As a subsidiary of HypoVereinsbank, DAB bank is a member of the internationally active UniCredit group. We intend to evaluate the medium-range and long-range business opportunities for DAB bank in the markets in which Unicredit is active.

We will continue to actively exploit all opportunities for growth and to further reduce the bank's cost-income ratio in increments of 5% per year. Without regard to 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)

in k€	Notes	Quarterly Report 10/01/2006- 12/31/2006	Quarterly Report 10/01/2005- 12/31/2005	Full Year 01/01/2006- 12/31/2006	Full Year 01/01/2005- 12/31/2005
Interest income	21	26,266	18,497	100,721	76,871
Interest expenses	21	16,630	9,222	57,175	36,289
<b>Net interest income</b>	21	<b>9,636</b>	<b>9,275</b>	<b>43,546</b>	<b>40,582</b>
Provisions for possible losses	22	246	-227	511	-115
<b>Net interest income after provisions for possible losses</b>		<b>9,390</b>	<b>9,502</b>	<b>43,035</b>	<b>40,697</b>
Commission income	23	65,848	55,155	228,238	156,650
Commission expenses	23	33,776	23,567	99,648	56,526
<b>Net commission income</b>	23	<b>32,072</b>	<b>31,588</b>	<b>128,590</b>	<b>100,124</b>
<b>Trading profit/loss</b>	24	<b>922</b>	<b>1,195</b>	<b>2,827</b>	<b>2,662</b>
<b>Profit/loss from investments</b>	25	<b>-908</b>	<b>-5,013</b>	<b>-16,098</b>	<b>-12,303</b>
Personnel expenses	26	11,057	10,146	37,920	37,523
Other administrative expenses	26	22,192	18,737	82,893	70,539
Depreciation/amortization of property, plant and equipment and intangible assets	26	1,624	-473	8,224	8,704
<b>Administrative expenses</b>	26	<b>34,873</b>	<b>28,410</b>	<b>129,037</b>	<b>116,766</b>
<b>Restructuring-/Integration expenses</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>3,400</b>
<b>Net other operating income/expenses</b>	27	<b>1,960</b>	<b>-1,184</b>	<b>5,702</b>	<b>4,525</b>
<b>Net other income/expenses</b>	29	<b>-1</b>	<b>381</b>	<b>-13</b>	<b>8,352</b>
<b>Result before taxes</b>		<b>8,562</b>	<b>8,059</b>	<b>35,006</b>	<b>23,891</b>
Income taxes	30	3,371	1,323	13,035	4,623
<b>Net profit/loss (consolidated net profit in acc. with IFRS)</b>		<b>5,191</b>	<b>6,736</b>	<b>21,971</b>	<b>19,268</b>
Allocation of net profit/loss to retained earnings	31	167	5,734	167	5,734
<b>Consolidated unappropriated net profit</b>		<b>5,024</b>	<b>1,002</b>	<b>21,804</b>	<b>13,534</b>
Earnings per share (basic)	32	0.07	0.09	0.29	0.26
Earnings per share (diluted)	32	0.07	0.09	0.29	0.26
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	75,187,007	75,187,007	75,187,007



**Assets**

<b>in k€</b>	Notes	Annual Report 2006	Annual Report 2005
<b>12/31</b>			
Cash reserve	34	74,371	46,122
Receivables from banks	8, 35	716,099	381,322
Receivables from customers	8, 36	473,770	473,917
Provisions for possible losses	9, 37	-2,111	-3,327
Trading assets	10, 38	42,858	39,682
Financial assets	11, 39	1,932,227	1,432,326
Property, plant and equipment	12, 40	3,993	4,760
Intangible assets	14, 41	60,774	61,586
Income tax assets	19, 42	29,881	37,822
Other assets	43	30,061	36,334
<b>Total assets</b>		<b>3,361,923</b>	<b>2,510,544</b>

**Consolidated  
balance sheet (IFRS)****Equity and liabilities**

<b>in k€</b>	Notes	Annual Report 2006	Annual Report 2005
<b>12/31</b>			
Liabilities to banks	15, 44	270,812	102,252
Liabilities to customers	15, 45	2,810,970	2,156,095
Trading liabilities	16, 46	14,557	14,758
Provisions	17, 47	7,672	8,073
Income tax liabilities	19, 48	11,778	9,986
Other liabilities	18, 49	48,521	39,762
Subordinated capital	50	20,029	10,002
<b>Liabilities</b>		<b>3,184,339</b>	<b>2,340,928</b>
Subscribed capital	51	75,187	75,187
Additional paid-in capital		59,769	59,769
Retained earnings		21,487	21,320
Accumulated other comprehensive income/loss		-663	-194
Consolidated unappropriated net profit		21,804	13,534
<b>Shareholders' equity</b>		<b>177,584</b>	<b>169,616</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,361,923</b>	<b>2,510,544</b>

## Consolidated statement of changes in equity (IFRS)

in k€	Subscribed capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Consolidated unappropriated net profit	Shareholders' equity
<b>As of 01/01/2005</b>	<b>75,187</b>	<b>59,769</b>	<b>15,584</b>	<b>392</b>	<b>11,278</b>	<b>162,210</b>
Changes in measured value of financial instruments not recognized in the income statement	-	-	-	-586	-	-586
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
<b>As of 12/31/2005</b>	<b>75,187</b>	<b>59,769</b>	<b>21,320</b>	<b>-194</b>	<b>13,534</b>	<b>169,616</b>
<b>As of 01/01/2006</b>	<b>75,187</b>	<b>59,769</b>	<b>21,320</b>	<b>-194</b>	<b>13,534</b>	<b>169,616</b>
Changes in measured value of financial instruments not recognized in the income statement	-	-	-	-469	-	-469
Change due to net profit/loss for the year	-	-	167	-	21,804	21,971
Distribution of DAB bank AG	-	-	-	-	-13,534	-13,534
Changes resulting from foreign currency effects and other changes	-	-	-	-	-	-
<b>As of 12/31/2006</b>	<b>75,187</b>	<b>59,769</b>	<b>21,487</b>	<b>-663</b>	<b>21,804</b>	<b>177,584</b>

## Consolidated cash flow statement (IFRS)

in k€ 01/01 - 12/31	2006	2005
<b>Cash flow from operating activities</b>		
Net profit/loss for the year*	21,971	10,903
Writedowns, valuation adjustments and writeups of receivables	579	-88
Depreciation and writeups of non-current assets	8,224	8,704
Changes in other non-cash items	6,288	3,787
Profits/losses on sales of non-current assets	16,423	12,303
Other adjustments	-37,689	-38,337
<b>Subtotal</b>	<b>15,796</b>	<b>-2,728</b>
Changes in operating assets and liabilities, adjusted for non-cash transactions		
Receivables from banks	-334,777	44,424
Receivables from customers	-1,648	-45,726
Trading assets	-3,176	6,905
Other assets from operating activities	7,628	-12,634
Liabilities to banks	168,560	24,352
Liabilities to customers	654,875	324,468
Trading liabilities	-201	-27,114
Other liabilities from operating activities	10,448	14,211
Income taxes paid	-5,857	-2,245
Interest and dividends received	100,721	76,871
Interest paid	-57,175	-36,289
<b>Cash provided by/used in operating activities</b>	<b>555,194</b>	<b>364,495</b>
<b>Cash flow from investing activities</b>		
Cash receipts from sales of non-current assets	2,145	719
Cash payments for acquisition of non-current assets	-525,114	-343,109
Effects from corporate merger	-	-132
<b>Cash used in investing activities</b>	<b>-522,969</b>	<b>-342,522</b>
<b>Cash flow from financing activities</b>		
Cash receipts from increases in subordinated capital	10,027	1,848
Dividend payments	-13,534	-11,278
Change in cash from other financing activities	-469	-584
<b>Cash provided by/used in financing activities</b>	<b>-3,976</b>	<b>-10,014</b>
Foreign exchange-induced changes in cash and cash equivalents	-	-
Increase/decrease in cash and cash equivalents	28,249	11,959
Cash and cash equivalents at January 1	46,122	34,163
Cash and cash equivalents at December 31	74,371	46,122

Additional information on the cash flow statement is provided in the Notes (No. 56).

\* In accordance with IAS 7, the net profit for 2005 is presented net of the negative goodwill on the acquisition of FondsServiceBank, which was recognized in income.

## Notes to the consolidated financial statements

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## Exempting consolidated financial statements according to IFRS

The consolidated financial statements of DAB bank at December 31, 2006 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 International Financial Report Standards also encompass the International Accounting Standards (IAS) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

As a capital market-oriented company, DAB bank AG prepares exempting consolidated financial statements in conformity with IFRS pursuant to § 315a (1) HGB in conjunction with § 291 (3) (1) (1) HGB. By publishing consolidated financial statements according to IFRS, DAB bank AG fulfills the conditions imposed by Deutsche Börse AG for admission to the Prime Standard 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 of major significance for 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 and HGB were also included in the notes, unless already prescribed by the IFRS. Furthermore, the required presentation of the partial appropriation of the company's net profit was added to the income statement.

The disclosed Declaration of Conformity with the German Corporate Governance Code in the version of June 12, 2006, as required by § 161 AktG, was updated on the company's website <http://aktie.dab-bank.de> on December 29, 2006 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 2007, were not yet applied in fiscal 2006:

- ▶ IAS 1: Capital disclosures  
Pursuant to IAS 1, the presentation requirements applicable to the management of the company's equity will be introduced as of January 1, 2007.
- ▶ IFRS 7: Financial instruments: disclosures  
In accordance with IFRS 7, the observance of which is mandatory as of January 1, 2007, the method of presenting financial instruments will be changed. IFRS 7 completely supersedes IAS 30 and partially supersedes IAS 32. The new requirements will necessitate changes in the notes to the financial statements.
- ▶ IFRIC 10: Interim financial reporting and impairments  
IFRIC 10 effectively bans, as of January 1, 2007, the reversal of any impairment loss recognized in an earlier interim period, either in goodwill, an equity instrument or an asset valued at cost.

The presentation requirements prescribed by the new standards will be observed in 2007.

The following standards and interpretations, application of which is mandatory in fiscal years 2006 or 2007, are not relevant to the DAB bank Group: IAS 19, IAS 21 and IFRIC 4 to IFRIC 9.

## Accounting and valuation methods

### ▶ 1 Uniform Groupwide accounting principles

The separate financial statements of the consolidated subsidiaries which were prepared in accordance with IFRS are incorporated into the consolidated financial statements of DAB bank AG by application of uniform accounting and valuation principles. The figures are stated in thousands of euros (k€).

### ▶ 2 Continuity

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

### ▶ 3 Changes in recognition, valuation and presentation methods

The recognition, valuation and presentation methods applied in the consolidated financial statements for 2006 were unchanged from the previous year.

### ▶ 4 Consolidation group

The consolidation group of the DAB bank Group at December 31, 2006, was composed of DAB bank AG, Munich (the parent company), and the wholly-owned, fully consolidated subsidiary direktanlage.at AG, Salzburg.

Under the terms of an agreement signed October 27, 2006, DAB bank AG will acquire a majority (52.52%) interest in the equity of SRQ FinanzPartner AG (SRQ), Berlin. Because this transaction was not yet completed at the balance sheet date, this company is not included in the consolidation group of the DAB bank Group at December 31, 2006. Once the transaction is completed, we plan for SRQ to be fully consolidated within the DAB bank Group.

All the companies in the consolidation group prepared their separate financial statements as of December 31, 2006.

### ▶ 5 Consolidation principles

In the capital consolidation process, the acquisition cost of an affiliated company is set off against the Group's share in the equity of that company at the date of the acquisition. For this purpose, the assets (including intangible assets that had not yet been recognized as such), liabilities and contingent liabilities of the acquired company are remeasured at fair value and applied in the proportion equivalent to the Group's share in that company's equity. The difference between the higher acquisition cost and the remeasured value of equity is recognized as goodwill and subjected to an annual impairment test.

Any difference resulting from the (initial) capital consolidation (negative goodwill) is reassessed in order to rule out any valuation errors that may have occurred in the determination of the costs of a corporate

merger or of the fair values of the purchased assets and liabilities. Any difference remaining after such a reassessment is fully recognized in profit or loss at the time of the initial consolidation.

Transactions between the companies of the consolidation group are netted as part of the debt and income consolidation process.

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

## ▶ 6 Currency translation

Currency translation is performed in accordance with IAS 21. Thus, transactions are measured at the exchange rate in effect at the time of the transaction. As a rule, monetary assets and liabilities that are not denominated in euros, as well as cash transactions that have not yet been settled at the balance sheet date, are translated into euros at the market exchange rates on the balance sheet date, as part of the subsequent valuation process. Non-monetary assets and liabilities carried at cost are measured at the exchange rate applicable to the acquisition. Non-monetary items carried at fair value are measured at the exchange rate on the valuation date.

As a rule, expenses and income resulting from the currency translation of monetary items are recognized in the corresponding items of the income statement.

The euro is the currency of account for all the companies included in the consolidated financial statements.

## ▶ 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. Furthermore, they must be classified according to given criteria and measured on the basis of this classification. As a rule, financial instruments are valued initially at cost.

Loans and receivables comprise non-derivative financial instruments with fixed or determinable payments, which are not listed on an active market, which the company does not intend to sell in the short term and concerning which there is no reason to classify them as Available for Sale (AFS). Loans and receivables are carried at amortized cost, determined in accordance with effective interest and presented in the items Receivables from banks, Receivables from customers and Other assets.

Held-for-trading financial instruments are measured at fair value and any fair value changes are recognized in income. These holdings appear in the balance sheet items Trading assets and Trading liabilities. These items contain derivatives from customer transactions, which are squared directly in relation to a third counterparty.

Financial instruments in the category of At Fair Value through Profit or Loss (AFV) are likewise measured at fair value and any fair value changes are recognized immediately in the income for the period. AFV financial instruments are included exclusively in the item of Financial assets.

Financial instruments are classified as AFV in order to avoid the recognition and valuation discrepancies that arose in the past within the AFS category. Holdings designated as AFV are included in the portfolio management process conducted on the basis of our integrated risk management strategy.



All other financial assets held by the DAB bank Group are classified as Available for Sale (AFS) securities and receivables and are measured at fair value. Any revaluation changes are recognized in a separate item of equity (AFS-reserve) and are therefore not recognized in income until such time as the asset is sold or written down according to IAS 39. Furthermore, all AFS financial instruments are equally presented under Financial assets exclusively.

Purchases and sales of financial instruments are recognized on the trade date, as a rule. Issue premiums and discounts are directly added to or deducted from the value of the financial instruments in question. The fair value of financial instruments can be determined reliably.

Impairment losses in financial assets are recognized when there are objective indications of an impairment and the effect of such an impairment on the future expected cash flows can be estimated reliably. Financial assets are charged off only when the company is no longer contractually entitled to the corresponding cash flows or when the financial asset has been transferred according to the definition of IAS 39.17.

Detailed explanations regarding the risk management of financial instruments are provided in the Risk Report as part of the Financial Review on page 52 et sqq.

## ▶ 8 Receivables

As a rule, receivables due from banks and receivables due from customers are valued at amortized cost, using the effective interest rate method. Interest income is no longer recognized when collection of the corresponding receivable can no longer be expected, regardless of legal entitlement. Interest receivables are accrued pro rata temporis and recognized in the corresponding items.

## ▶ 9 Provisions for possible losses

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

Specific risk provisions are formed exclusively for receivables due from customers. They are measured at the amount of the anticipated losses, in consideration of the securities furnished as collateral. They are reversed to the extent that the credit risk no longer exists or utilized when the receivable is considered to be uncollectible. Receivables are classified as uncollectible when it is considered improbable that they can be collected in the foreseeable future or if they have been fully or partially waived. Uncollectible 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 market values of derivatives traded with customers or counterparties. Trading assets are measured at market prices.

## ▶ 11 Financial assets

The financial assets of the DAB bank Group consist of AFV and AFS investments. All financial assets are measured at fair value. Any decrease or increase in the value of AFV financial assets is recognized in income. On the other hand, any decrease or increase in the value of AFS financial assets is not recognized in income until such time as the asset is sold or written down in accordance with IAS 39.

## ▶ 12 Property, plant and equipment

Items of property, plant 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 they are depletable. In the case of leasehold improvements, the lease term, including any renewal options, is applied as the useful life if that is shorter than the customary useful life. Impairment losses are recognized in cases where items of property, plant and equipment have sustained value losses as defined in IAS 16.63 that go beyond the scheduled depreciation. When the reasons for recognizing such an impairment loss no longer exist, the original value of the asset is reinstated up to no more than the amortized acquisition or production cost of the asset in question. Subsequently incurred acquisition or production costs are added to the asset's value. Gains and losses on the sale of property, plant and equipment are recognized in the income statement under Net other operating income/expenses. Cost incurred to preserve property, plant and equipment are recognized as expenses in the year in which they occur.

Property, plant and equipment	Useful life
Leasehold improvements	2 - 8 years
Computer equipment (in the broader sense)	1 - 10 years
Other operational and business equipment	3 - 25 years

## ▶ 13 Leases

The accounting treatment of leases is determined on the basis of the economic content of the underlying agreements, in accordance with IAS 17 in conjunction with IFRIC 4, by application of the criteria set forth in IAS 17.10 and 17.11. In the case of DAB bank, all such agreements fulfill the criteria of operating leases.

DAB bank presents its obligations as a lessee within the item of Other obligations. These obligations derive mainly from computer hardware leases. The lease payments are recognized as expenses within the item of Administrative expenses.

## ▶ 14 Intangible assets

The intangible assets consist mainly of goodwill and computer software.

The goodwill relates entirely to direktanlage.at AG. In connection with the acquisition of vbankdirekt AG on November 21, 2001, a goodwill item was recognized in the amount of €6,387 thousand. Furthermore, a goodwill item of €11,751 thousand was recognized in connection with the full consolidation of direktanlage.at AG. The goodwill is subjected to an impairment test according to IAS 36 at least once a year. Impairment losses are recognized when there is reason to believe that an impairment has occurred.

Software is carried at amortized cost. It is amortized on a straight-line basis over 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, under the heading of Administrative expenses. The intangible assets also include, under the heading "Other," a customer

base in the amount of €5,220 thousand, resulting from the acquisition of FondsServiceBank. This item is amortized on a straight-line basis over an assumed useful life of 15 years.

### ▶ 15 Liabilities

Liabilities are carried at amortized cost, based on the effective interest rate method, which basically corresponds to the repayment amount.

### ▶ 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

The provisions have been established to account for all discernible risks, based on the best estimate of the amounts required to settle the corresponding obligations, in accordance with IAS 37.36 ff.

The provisions for pensions and similar obligations have been established on the basis of expert actuarial opinions. Actuarial gains and losses are accounted for in accordance with IAS 19.93. The expenses related to the pension provisions are recognized as expenses under Personnel expenses.

### ▶ 18 Other liabilities

The Other liabilities also include accrued liabilities. 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 less than for provisions. Accruals are formed to account for liabilities

relating to goods or services received, which have neither been paid, formally agreed nor invoiced by the supplier. This item also includes short-term liabilities due to employees, such as bonus payments and vacation benefits, as well as liabilities relating to taxes that are not dependent on income. The accruals are stated at the anticipated amount required to settle the corresponding obligations.

### ▶ 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 carry-forwards to the extent that the future utilization is probable according to the criteria of 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 judgment

Within the scope of application of the recognition and valuation methods described above, no material effects on the consolidated financial statements have resulted from the exercise of discretionary judgment by the management of DAB bank AG, beyond the matters disclosed in the notes to the financial statements and the financial review. Discretionary judgment is applied especially with regard to the determination of useful lives, the measurement of provisions and the valuation parameters applied in connection with the impairment test for the goodwill of direktanlage.at.

## Notes to the income statement

### ► 21 Net interest income

in k€	2006	2005
<b>01/01 - 12/31</b>		
<b>Interest income</b>	<b>100,721</b>	<b>76,871</b>
from lending and money market operations	40,373	29,775
from fixed-income securities and book-entry securities	59,878	46,836
including: Interest from AFV financial instruments	55,734	42,883
from shares and other non-fixed-income securities	470	260
including: Dividends from AFV financial instruments	406	219
<b>Interest expenses</b>	<b>57,175</b>	<b>36,289</b>
for deposits	56,754	36,065
for subordinated capital	420	215
for other	1	9
<b>Total</b>	<b>43,546</b>	<b>40,582</b>

Interest income and interest expenses are recognized pro rata temporis. The interest income attributable to shares and other variable-yield securities includes income from securities carried as non-current financial assets.

Interest income of €44,581 thousand (2005: €33,769 thousand) and interest expenses of €57,175 thousand (2005: €36,289 thousand) were generated from assets and liabilities not classified as AFV financial instruments.

### ► 22 Provisions for possible losses

in k€	2006	2005
<b>01/01 - 12/31</b>		
Additions	1,068	597
Releases	489	685
Recoveries on receivables written off	68	27
<b>Total</b>	<b>511</b>	<b>-115</b>

### ► 23 Net commission income

in k€	2006	2005
<b>01/01 - 12/31</b>		
<b>Commission income from</b>	<b>228,238</b>	<b>156,650</b>
Securities and custodial services	111,546	88,144
Brokerage of third-party products	109,081	62,304
Foreign trade/payments	5,082	3,523
Other service operations	2,529	2,679
<b>Commission expenses for</b>	<b>99,648</b>	<b>56,526</b>
Securities and custodial services	22,483	18,537
Brokerage of third-party products	75,766	36,395
Foreign trade/payments	423	323
Other service operations	976	1,271
<b>Total</b>	<b>128,590</b>	<b>100,124</b>

Commission income and expenses are recognized on an accrual basis. The commission income earned on securities-related services (trade orders) is recognized when the orders are executed.

### ► 24 Trading profit/loss

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

## ▶ 25 Profit/loss from investments

The profit/loss from investments contains the profits and losses on the sale of AFV and AfS financial instruments and the changes in value of such instruments that are to be recognized in income. This item also contains the profit/loss contribution of derivative financial instruments held for hedging purposes.

## ▶ 26 Administrative expenses

in k€	2006	2005
<b>01/01 - 12/31</b>		
<b>Personnel expenses</b>	<b>37,920</b>	<b>37,523</b>
Wages and salaries	31,620	31,539
Social security	5,540	5,395
Pension and other benefit costs	760	589
<b>Other administrative expenses</b>	<b>82,893</b>	<b>70,539</b>
Marketing expenses	11,659	9,661
Communication expenses	8,231	7,145
IT expenses	18,828	19,746
Securities settlement	21,232	15,317
Remaining other administrative expenses	22,943	18,670
<b>Depreciation and amortization</b>	<b>8,224</b>	<b>8,704</b>
of equipment	1,719	1,829
of software and other intangible assets (excluding goodwill)	6,505	6,875
<b>Total</b>	<b>129,037</b>	<b>116,766</b>

The expenses resulting from lease payments in connection with the company's obligations under operating leases amounted to €6,722 thousand in 2006 (2005: €6,693 thousand).

## ▶ 27 Net other operating income/expenses

in k€	2006	2005
<b>01/01 - 12/31</b>		
<b>Other operating income</b>	<b>15,107</b>	<b>9,696</b>
Reversal to provisions and accruals (non-credit business)	4,049	3,409
Income from defective processing of securities transactions	2,034	1,526
Other	9,024	4,761
<b>Other operating expenses</b>	<b>9,405</b>	<b>5,171</b>
Allocations to provisions and accruals (non-credit business)	2,760	115
Losses from defective processing of securities transactions and ex gratia payments	3,457	1,636
Other	3,188	3,420
<b>Total</b>	<b>5,702</b>	<b>4,525</b>

## ▶ 28 Impairment of goodwill

In accordance with IFRS 3, goodwill is no longer amortized on a scheduled basis. Instead, an impairment test is conducted every year, or when circumstances warrant, to determine the existence of any value losses.

The value in use, determined with reference to projected cash flows, is applied as the basis for assessing the value of the goodwill of direktanlage.at AG. The projected cash flows are determined on the basis of quantitative and qualitative assumptions of the management with regard to the company's business performance.

Basically speaking, the earnings performance of past years, adjusted for seasonal and business cycle fluctuations, is extrapolated to the future. For this purpose, all value drivers and income components are taken into consideration. In addition, external information sources are consulted for the purpose of confirming or correcting the estimated future earnings determined on the basis of internal data analysis. In this connection, scenarios that could possibly represent the upper and lower limit of the future earnings estimates are analyzed.

Assumptions that are considered critical to an evaluation of the future earnings performance of direktanlage.at AG include that company's excellent market positioning in Austria, the scalability of its business model, the high level of customer and employee satisfaction, the outstanding earnings performance of past years and the positive market environment in the Austrian banking sector.

To assess the value of the customer base, we have applied a planning horizon of three years. The cash flow projections extend to seven years, so as to determine the value in use more accurately on the basis of a longer-term horizon. For purposes of the impairment test, the initial growth rate applied for 2006 was 12% per annum, while the final growth rate was 2% per annum.

For assessing the present values, a risk-adjusted discount rate of 9% was applied.

The impairment test so conducted at December 31, 2006 confirmed the stated value of the goodwill of direktanlage.at AG, in the amount of €18,138 thousand. This value is reliable up to an average risk-adjusted marginal discount rate of 33%.

### ▶ 29 Net other income/expenses

The Other expenses include other taxes which are not considered to be income taxes. In the income statement for 2005, the Other income included a gain of €8,365 thousand on the merger of FSB FondsServiceBank GmbH into DAB bank AG.

### ▶ 30 Income taxes

The income taxes break down as follows:

in k€	2006	2005
<b>01/01 - 12/31</b>		
Current taxes	6,490	1,340
Deferred taxes	6,545	3,283
<b>Total</b>	<b>13,035</b>	<b>4,623</b>

The current taxes shown above resulted mainly from the application of the regulation aimed at limiting loss deductions for the corporate income tax and the municipal trade earnings tax (minimum tax rule). The deferred income taxes resulted primarily from the recognition and/or reversal of temporary differences and the utilization of tax loss carry-forwards from earlier years.

The total amount of corporate income tax loss carryforwards at the balance sheet date was €86,038 thousand. No impairment losses were recognized.

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

in k€	2006	2005
<b>01/01 - 12/31</b>		
<b>Result before taxes</b>	<b>35,006</b>	<b>23,891</b>
Applicable tax rate	26.40%	26.40%
<b>Income taxes derived from applicable rate</b>	<b>9,242</b>	<b>6,307</b>
<b>Tax effects from</b>		
previous years and changes in tax rates	16	10
foreign income	-132	-72
tax-exempt income	-	-2,800
differing legal norms	3,807	1,167
non-deductible expenses	102	39
other differences	-	-28
<b>Effective income taxes</b>	<b>13,035</b>	<b>4,623</b>

The domestic income tax rate applied as the basis for the reconciliation statement is composed of the uniform corporate income tax of 25.0% and the solidarity surtax of 5.5% of the corporate income tax. The domestic income tax rate for 2006 was 26.4%, unchanged from the previous year.

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 rates of corporate income tax and solidarity surtax caused by the deductibility of municipal trade taxes are presented under the item of Tax effects of differing legal norms.

In accordance with IAS 12.81 (g), the deferred tax assets and liabilities have been assigned to the following balance sheet items:

in k€ as of 12/31	2006		2005	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Loss carryforwards	22,714	-	29,436	-
Trading assets	-	6,194	-	6,299
Property, plant and equipment	-	17	42	12
Intangible assets	-	1,916	-	1,991
Financial assets	252	561	96	556
Trading liabilities	5,948	-	6,030	-
Provisions	967	-	863	29
<b>Total</b>	<b>29,881</b>	<b>8,688</b>	<b>36,467</b>	<b>8,887</b>

### ► 31 Consolidated unappropriated net profit (as per HGB/AktG)

The consolidated unappropriated net profit of DAB bank AG for the 2006 fiscal 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 €21,804 thousand. At the annual shareholders' meeting to be held on May 10, 2007, the Management Board and Supervisory Board of DAB bank AG will propose distributing a dividend of €0.29 per no-par bearer share. The consolidated net profit of the DAB bank Group calculated in accordance with IFRS is likewise €21,804 thousand.

### ► 32 Earnings per share

in k€ 01/01 - 12/31	2006	2005
Net profit in k€	21,971	19,268
Number of average shares outstanding	75,187,007	75,187,007
<b>Earnings per share (basic) in €</b>	<b>0.29</b>	<b>0.26</b>
Net profit in k€	21,971	19,268
Number of potential shares	-	-
Adjusted number of average shares outstanding	75,187,007	75,187,007
<b>Earnings per share (diluted) in €</b>	<b>0.29</b>	<b>0.26</b>



## ▶ 33 Value-added statement

**Origination**

in k€	2006	2005
<b>01/01 - 12/31</b>		
<b>Total income</b>	<b>164,303</b>	<b>144,375</b>
Provisions for possible losses	511	-115
Other administrative expenses	82,893	70,539
Restructuring and integration expenses	-	3,400
Depreciation/amortization of property, plant and equipment and intangible assets (including goodwill)	8,224	8,704
Change in provisions	-264	420
<b>Value-added</b>	<b>72,939</b>	<b>61,427</b>

**Distribution**

in k€	2006	2005
<b>01/01 - 12/31</b>		
Employees (personnel expenses)	37,920	37,523
Government (taxes)	13,048	4,636
Shareholders of DAB bank AG (dividend)	21,804	13,534
Enterprise (self-financing)	167	5,734
<b>Value-added</b>	<b>72,939</b>	<b>61,427</b>

## Notes to the balance sheet

### ► 34 Cash reserve

in k€ as of 12/31	2006	2005
Cash on hand	1,356	1,592
Balances with central banks	73,015	44,530
<b>Total</b>	<b>74,371</b>	<b>46,122</b>

The prescribed minimum cash reserve at December 31, 2006 amounted to €39,980 thousand (2005: €34,542 thousand).

### ► 35 Receivables from banks

by maturity		
in k€ as of 12/31	2006	2005
Payable on demand	388,216	334,992
Due in	327,883	46,330
up to 3 months	222,327	18,852
more than 3 months to 1 year	105,556	25,478
more than 1 year to 5 years	-	2,000
more than 5 years	-	-
<b>Total</b>	<b>716,099</b>	<b>381,322</b>

### by domestic and foreign

in k€ as of 12/31	2006	2005
Domestic	591,914	342,631
Foreign	124,185	38,691
<b>Total</b>	<b>716,099</b>	<b>381,322</b>

### from affiliated companies

in k€ as of 12/31	2006	2005
<b>Total</b>	<b>313,242</b>	<b>272,114</b>

### ► 36 Receivables from customers

#### by maturity

in k€ as of 12/31	2006	2005
Payable on demand	287,650	267,779
Due in	186,120	206,138
up to 3 months	-	-
more than 3 months to 1 year	77,981	19,765
more than 1 year to 5 years	108,139	186,121
more than 5 years	-	252
<b>Total</b>	<b>473,770</b>	<b>473,917</b>
thereof secured by mortgages	-	-

#### by domestic and foreign

in k€ as of 12/31	2006	2005
Domestic	226,604	202,645
Foreign	247,166	271,272
<b>Total</b>	<b>473,770</b>	<b>473,917</b>

The receivables due on a daily basis consist mainly of loans against securities. The receivables of definite maturity consist primarily of financing extended in connection with equipment leasing funds, which are funded and secured by maturity-matched deposits. In addition, the receivables of definite maturity contain loans against securities that feature conversion rights.

### ► 37 Provisions for possible losses

#### Changes in provisions

in k€ as of 01/01	Individual risks		Latent risks		Total	
	2006	2005	2006	2005	2006	2005
	3,327	3,997	-	-	3,327	3,997
Changes recognized in income						
Additions	1,068	597	-	-	1,068	597
Releases	489	685	-	-	489	685
Changes not recognized in income						
Utilization	1,795	582	-	-	1,795	582
<b>as of 12/31</b>	<b>2,111</b>	<b>3,327</b>	<b>-</b>	<b>-</b>	<b>2,111</b>	<b>3,327</b>

In the DAB bank Group, receivables amounting to €508 thousand were completely charged off in 2006 (2005: €241 thousand). The amounts recovered on charged-off receivables in 2006 totaled €68 thousand (2005: €27 thousand).

The bank's credit business consists mainly of loans against securities. The apparent and latent risks of such loans are adequately accounted for through the recognition of specific provisions.

### ► 38 Trading assets

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

At the balance sheet date, the securities presented under Trading assets were not subject to any restrictions on disposal.

### ► 39 Financial assets

#### Breakdown of financial assets

in k€ as of 12/31	2006	2005
<b>AFV financial assets</b>	<b>1,776,795</b>	<b>1,289,378</b>
Debt securities and other fixed-income securities	1,731,767	1,222,379
thereof: long-term financial assets	-	-
Shares and other non-fixed-income securities	45,028	66,999
thereof: long-term financial assets	-	-
<b>AfS financial assets</b>	<b>155,432</b>	<b>142,948</b>
Equity investments	20	20
Debt securities and other fixed-income securities	148,894	136,976
thereof: long-term financial assets	-	-
Shares and other non-fixed-income securities	6,518	5,952
thereof: long-term financial assets	-	-
<b>Total</b>	<b>1,932,227</b>	<b>1,432,326</b>

The net profit from AFV financial assets amounted to €40,301 thousand in 2006 (2005: €30,736 thousand). The net profit from AfS financial assets amounted to €3,949 thousand in 2006 (2005: €4,055 thousand).

The carrying amounts at December 31, 2006 break down as follows:

	Equity investments	Debt securities and other fixed- income securities	Shares and other non- fixed-income securities	Total
<b>in k€</b>	-			
<b>Securities negotiable on an organized exchange</b>	-	<b>1,880,661</b>	<b>47,341</b>	<b>1,928,002</b>
Listed securities	-	1,877,676	45,557	1,923,233
Unlisted securities	20	2,985	1,784	4,769
<b>Securities not negotiable on an organized exchange</b>		-	<b>4,205</b>	<b>4,225</b>

The equity investments in the amount of €20 thousand are held by our subsidiary direktanlage.at AG.

The Debt securities and other fixed-income securities and the Shares and other variable-yield securities break down as follows:

	2006	2005
<b>in k€</b>		
<b>as of 12/31</b>		
<b>Debt securities and other fixed-income securities</b>	<b>1,880,661</b>	<b>1,359,355</b>
Money market instruments	25,255	18,215
of public issuers	7,044	-
of other issuers	18,211	18,215
Bonds and debt securities	1,855,405	1,341,140
of public issuers	681,903	277,428
of other issuers	1,173,502	1,063,712
<b>Shares and other non-fixed-income securities</b>	<b>51,546</b>	<b>72,951</b>
Shares	4,771	4,338
Investment fund shares	21,072	25,746
Participation certificates	24,344	41,537
Index certificates	1,359	1,330

In the table below, the Debt securities and other fixed-income securities are broken down by maturities:

	2006	2005
<b>in k€</b>		
<b>as of 12/31</b>		
<b>Term to maturity</b>		
up to 3 months	13,662	74,316
3 months to 1 year	815,515	210,064
1 year to 5 years	846,624	764,137
more than 5 years	204,860	310,838
<b>Total</b>	<b>1,880,661</b>	<b>1,359,355</b>

## ► 40 Property, plant and equipment

### Changes in property, plant and equipment

in k€	Operational and business equipment
<b>Acquisition or production cost</b>	
as of 01/01/2005	19,581
Changes due to corporate merger	556
Additions	1,026
Transfers	1,142
<b>as of 12/31/2005</b>	<b>20,021</b>
<b>Depreciation</b>	
as of 01/01/2005	14,205
Scheduled depreciation	1,829
Disposals	773
<b>as of 12/31/2005</b>	<b>15,261</b>
Carrying amounts	
<b>as of 12/31/2005</b>	<b>4,760</b>
<b>Acquisition or production cost</b>	
as of 01/01/2006	20,021
Additions	1,278
Disposals	3,082
<b>as of 12/31/2006</b>	<b>18,217</b>
<b>Depreciation</b>	
as of 01/01/2006	15,261
Scheduled depreciation	1,719
Disposals	2,756
<b>as of 12/31/2006</b>	<b>14,224</b>
Carrying amounts	
<b>as of 12/31/2006</b>	<b>3,993</b>

## ► 41 Intangible assets

### Changes in intangible assets

in k€	Goodwill	Software	Other
<b>Acquisition or production cost</b>			
as of 01/01/2005	21,763	59,986	-
Changes due to corporate merger	-	1,935	5,220
Additions	-	17,004	-
Disposals	-	718	-
<b>as of 12/31/2005</b>	<b>21,763</b>	<b>78,207</b>	<b>5,220</b>
<b>Write down</b>			
as of 01/01/2005	3,625	33,242	-
Scheduled write down	-	6,527	348
Disposals	-	138	-
<b>as of 12/31/2005</b>	<b>3,625</b>	<b>39,631</b>	<b>348</b>
Carrying amounts			
<b>as of 12/31/2005</b>	<b>18,138</b>	<b>38,576</b>	<b>4,872</b>
<b>Acquisition or production cost</b>			
as of 01/01/2006	21,763	78,207	5,220
Additions	-	5,832	-
Disposals	-	4,394	-
<b>as of 12/31/2006</b>	<b>21,763</b>	<b>79,645</b>	<b>5,220</b>
<b>Write down</b>			
as of 01/01/2006	3,625	39,631	348
Scheduled write down	-	6,157	348
Disposals	-	4,255	-
<b>as of 12/31/2006</b>	<b>3,625</b>	<b>41,533</b>	<b>696</b>
Carrying amounts			
<b>as of 12/31/2006</b>	<b>18,138</b>	<b>38,112</b>	<b>4,524</b>

The software item contains advance payments of €418 thousand for IT projects that were not yet completed on the balance sheet date. The item labeled "Other" consists of the customer base from the acquisition of FSB FondsServiceBank GmbH.

## ▶ 42 Income tax assets

in k€ as of 12/31	2006	2005
Tax refund claims	-	1,355
Deferred tax assets from tax loss carryforwards	22,714	29,436
Deferred tax assets from temporary differences	7,167	7,031
<b>Total</b>	<b>29,881</b>	<b>37,822</b>

## ▶ 43 Other assets

in k€ as of 12/31	2006	2005
Prepaid expenses	3,232	1,634
Trade receivables	7,627	20,400
Other assets	19,202	14,300
<b>Total</b>	<b>30,061</b>	<b>36,334</b>

## from affiliated companies

in k€ as of 12/31	2006	2005
<b>Total</b>	<b>176</b>	<b>1,021</b>

The Other assets mainly consist of receivables due from public sector entities.

## ▶ 44 Liabilities to banks

## by maturity

in k€ as of 12/31	2006	2005
Payable on demand	187,457	58,634
Due in	83,355	43,618
up to 3 months	43,276	3,636
more than 3 months to 1 year	-	-
more than 1 year to 5 years	40,079	39,982
more than 5 years	-	-
<b>Total</b>	<b>270,812</b>	<b>102,252</b>

## by domestic and foreign

in k€ as of 12/31	2006	2005
Domestic banks	220,032	57,925
Foreign banks	50,780	44,327
<b>Total</b>	<b>270,812</b>	<b>102,252</b>

## to affiliated companies

in k€ as of 12/31	2006	2005
<b>Total</b>	<b>134,330</b>	<b>8,614</b>

## ▶ 45 Liabilities to customers

## by maturity

in k€ as of 12/31	2006	2005
Payable on demand	2,353,612	1,876,903
Due in	457,358	279,192
up to 3 months	306,841	113,644
more than 3 months to 1 year	82,357	19,407
more than 1 year to 5 years	68,160	146,141
more than 5 years	-	-
<b>Total</b>	<b>2,810,970</b>	<b>2,156,095</b>

## by domestic and foreign

in k€ as of 12/31	2006	2005
Domestic	2,192,038	1,717,630
Foreign	618,932	438,465
<b>Total</b>	<b>2,810,970</b>	<b>2,156,095</b>

Every customer of DAB bank AG is insured by the German deposit insurance fund (Einlagensicherungsfonds des Bundesverbands deutscher Banken e.V.), Cologne, up to a deposit amount of currently €24,771 thousand.

## ▶ 46 Trading liabilities

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

## ▶ 47 Provisions

## Changes in provisions

in k€ as of 01/01	2006	2005
Changes recognized in income		
Allocations	864	2,391
Reversals	1,121	1,887
Changes not recognized in income		
Changes caused by corporate merger	-	326
Utilizations	125	1,545
Transfers	-19	-
<b>as of 12/31</b>	<b>7,672</b>	<b>8,073</b>

The Provisions consist of provisions in connection with existing contracts in the amount of €1,865 thousand (2005: €2,199 thousand), provisions for compensation of loss or damage in the amount of €4,030 thousand (2005: €4,427 thousand), provisions for long-term obligations toward employees in the amount of €72 thousand (2005: €66 thousand) and provisions for litigation expenses in the amount of €70 thousand (2005: €35 thousand).

In the future, obligations amounting to €19 thousand which had previously been presented as provisions will be presented as accruals under the item of Other liabilities.

The provisions also contain pension obligations, which break down as follows:

#### Development of pension provisions

in k€	2006	2005
<b>Present value of pension obligations as of 01/01</b>	1,216	846
Changes affecting net income		
Present value of the pension claims earned in the fiscal year	75	58
Interest paid	75	26
Redemption amount for actuarial gains and losses	268	-
Changes not affecting net income		
Changes due to corporate merger	-	326
Payments affecting liquidity	-	-40
<b>Present value of pension obligations as of 12/31</b>	<b>1,634</b>	<b>1,216</b>

The provisions for pensions and similar obligations relate to benefits payable upon termination of the employment relationship and benefits payable after termination of the employment relationship. In the stricter sense, the provisions relate to the benefits payable after termination of the employment relationship and consist entirely of defined benefit plans, which are calculated on the basis of actuarial opinions in accordance with the rules of IAS 19. The average interest rate applied for this purpose is about 4% per annum (2005: also about 4% per annum). The anticipated pension expenses for fiscal year 2007 are €141 thousand.

The defined benefit plans relate to the employees of FSB FondsServiceBank GmbH, which was merged into DAB bank AG, and to the employees of direkt-anlage.at AG. At the present time, the company does not plan to expand the overall volume of defined benefit plans.

Provisions that are no longer needed are reversed and the corresponding amounts are recognized in income.

#### 48 Income tax obligations

in k€ as of 12/31	2006	2005
Income tax provisions	3,090	1,099
Deferred tax liabilities from temporary differences	8,688	8,887
<b>Total</b>	<b>11,778</b>	<b>9,986</b>

#### 49 Other liabilities

in k€ as of 12/31	2006	31.12.2005
Accruals	34,360	25,129
Trade payables	2,893	4,575
Other liabilities	11,268	10,058
<b>Total</b>	<b>48,521</b>	<b>39,762</b>

#### to affiliated companies

in k€ as of 12/31	2006	2005
<b>Total</b>	<b>7</b>	<b>56</b>

The accruals relate mainly to short-term liabilities due to employees and trade payables in connection with outstanding invoices. The item of Other liabilities consists mainly of liabilities due from public sector entities.



## ▶ 50 Subordinated capital

## by maturity

in k€ as of 12/31	2006	2005
Due in		
up to 3 months	-	-
more than 3 months to 1 year	-	-
more than 1 year to 5 years	20,029	10,002
more than 5 years	-	-
<b>Total</b>	<b>20,029</b>	<b>10,002</b>

## Subordinated capital volume

Nominal amount in k€	Interest rate	Starting date	Expiration date	Counterparty
<b>2,000</b>	3-month Euribor + 0.75% p.a.	03/31/2004	03/31/2009	Bayerische Hypo- und Vereinsbank AG
<b>8,000</b>	3-month Euribor + 1.00% p.a.	09/30/2005	09/30/2010	Bayerische Hypo- und Vereinsbank AG
<b>10,000</b>	3-month Euribor + 0.88% p.a.	12/12/2006	12/13/2011	Volkswahl Bund Lebensversicherung a.G.

The subordinated liabilities fulfill the regulatory requirements of §10 (5a) KWG (German Banking Act).

The item of Subordinated liabilities contains prorated interest of €29 thousand and a loan discount of €32 thousand on the subordinated loan extended by Volkswahl Bund Lebensversicherung a.G., which has been recognized as a prepaid expense. Interest expenses of €420 thousand were incurred on subordinated liabilities in 2006.

## ▶ 51 Subscribed capital

The share capital of DAB bank AG amounts to €75,187,007, unchanged from the previous year. It is divided into 75,187,007 no-par bearer shares.

## Authorized capital

## 1.) Authorized Capital I:

By resolution of the annual shareholders' meeting of May 11, 2006, the Management Board was authorized to increase the share capital by an amount of up to €22,500,000.00 by issuing new bearer shares in exchange for cash or in-kind contributions, on one or more occasions in the time until May 11, 2011, with the consent of the Supervisory Board (Authorized Capital I/Authorized Capital 2006/I). When shares are issued against in-kind contributions, the Management Board is authorized to exclude the subscription right of existing shareholders, with the consent of the Supervisory Board.

The Authorized Capital I was recorded in the Commercial Register on May 23, 2006.

At December 31, 2006, the Authorized Capital I existed still in the full amount of €22,500,000.

## 2.) Authorized Capital III:

By resolution of the annual shareholders' meeting of May 22, 2003, the Management Board was authorized to increase the share capital by an amount of up to €15,000,000.00 by issuing new bearer shares in exchange for cash or in-kind contributions, on one or more occasions in the time until May 22, 2008, with the consent of the Supervisory Board (Authorized Capital III/Authorized Capital 2003/I). When shares are issued against in-kind contributions, the Management Board is authorized to exclude the subscription right of existing shareholders, with the consent of the Supervisory Board.

The Authorized Capital III was recorded in the Commercial Register on June 6, 2003.

At December 31, 2006, the Authorized Capital III existed still in the full amount of €15,000,000.

### Conditional Capital/Stock Option Plan

1.) By resolution of the annual shareholders' meeting of September 2, 1999 (recorded in the Commercial Register on October 12, 1999), the share capital was conditionally increased by an amount of up to €3,500,000 through the issuance of up to 3,500,000 bearer shares (Conditional Capital I). The conditional capital increase will be executed only for the purpose of redeeming stock options in connection with the Stock Option Plan. Thus, it will be executed only to the extent that the beneficiaries of stock options exercise their options, in which case shares will be issued from the Conditional Capital. The preemptive shares qualify for dividends from the beginning of the fiscal year in which they are issued.

At the balance sheet date of December 31, 2006, no further stock options existed in connection with the 1999 Stock Option Plan of DAB bank AG for the members of the Management Board and the employees of DAB bank AG.

Furthermore, no stock options were granted in 2006.

2.) By resolution of the annual shareholders' meeting of May 17, 2001, the share capital was conditionally increased by an amount of up to €3,300,000 through the issuance of up to 3,300,000 bearer shares (Conditional Capital II).

The conditional capital increase will be executed only for the purpose of redeeming stock options in connection with the International Stock Option Plan. Thus, it will be executed only to the extent that the beneficiaries exercise their stock options, in which case shares will be issued from the Conditional Capital. The preemptive shares qualify for dividends from the beginning of the fiscal year in which they are issued.

At December 31, 2006, no further stock options existed in connection with the 2001 International Stock Option Plan of DAB bank AG for group employees.

Furthermore, no stock options were granted in 2006.

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

	Subscribed capital k€	Authorized capital k€	thereof: exclusive of sub- scription rights k€	Conditional capital k€
as of 06/01/01	75,187	37,500	37,500	6,800
<b>as of 06/12/31</b>	<b>75,187</b>	<b>37,500</b>	<b>37,500</b>	<b>6,800</b>

**Authorized capital**

Decision year	Original amount k€	Still available k€	Limited in time until
2003	15,000	15,000	05/22/2008
2006	22,500	22,500	05/11/2011
<b>as of 06/12/31</b>	<b>37,500</b>	<b>37,500</b>	

**Conditional capital**

Decision year	Original amount k€	Still available k€	Limited in time until
1999	3,500	3,500	-
2001	3,300	3,300	-
<b>as of 06/12/31</b>	<b>6,800</b>	<b>6,800</b>	

**► 52 Treasury shares**

In accordance with § 71 (1) (7) AktG, the company is authorized to buy and sell its own shares for trading purposes until October 31, 2007. The shares acquired for this purpose may not exceed 5% of the company's share capital at the close of any day. The price at which treasury 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 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 treasury shares held by the company or attributable to the company by virtue of §§ 71a ff. AktG may not exceed 10% of the company's share capital at any time.

This authorization supersedes the authorization to purchase treasury shares for trading purposes granted by the shareholders at the annual shareholders' meeting of May 13, 2005 under Agenda Item 6, which is hereby annulled. DAB bank AG purchased treasury shares in 2006 for the sole purpose of correcting errors. A total of 2,113 shares, representing an amount of €2,113 or 0.003% of the company's share capital, were bought and sold in 2006. At an average purchase price/sale price of €7.00/€6.86 per share, a loss of €296.02 was incurred on these transactions and recognized in equity.

No treasury shares were held by the DAB bank Group at December 31, 2006.

### ▶ 53 Trust transactions

The trust assets in the amount of €89,743 thousand consist of securities held in trust in connection with the partial retirement plans known in Germany as Altersteilzeit plans. These assets are offset by trust liabilities in the same amount. The securities held in trust for this purpose consist entirely of shares and other variable-yield securities measured at fair value.

In accordance with IFRS, the trust assets and trust liabilities of the DAB bank Group are not presented on the face of the consolidated balance sheet. If they were included in the balance sheet, the trust transactions would be presented within the items of Financial assets and Liabilities to customers.

### ▶ 54 Assets and liabilities in foreign currency

The euro equivalent of assets denominated in a foreign currency at the balance sheet date amounted to €98,254 thousand, that of liabilities denominated in a foreign currency €96,863 thousand. Foreign currency transactions were effected primarily in U.S. dollars.

### ▶ 55 Pledge of securities for own liabilities

Securities with a nominal value of €10,000 thousand were pledged to Clearstream Banking AG, Frankfurt a.M. and Luxembourg, as security for the settlement of securities trades. Furthermore, securities with a nominal value of €10,000 thousand were pledged to Trinkaus & Burkhardt, Düsseldorf, as security for the settlement of securities trades in connection with a securities lending transaction.

## Notes to the cash flow statement

### ▶ 56 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 is equal to the cash reserve item of the balance sheet. This item contains 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 the changes in provisions.

The effects of interest income and interest expenses and of income taxes paid are presented within the item of Other adjustments.

## Notes on the segment report

### ▶ 57 Segment reporting

The DAB bank Group is managed on the basis of regional areas of responsibility. Therefore, the countries of Germany and Austria, in which the DAB bank Group operates, constitute the primary segments for segment reporting. Values are assigned to the geographic regions on the basis of the company's registered office. The Consolidation column contains consolidation entries that do not relate to a particular region.

The DAB bank Group operates in the business of brokerage and financial services. We consider this business to be the only defined segment in which we operate. Therefore, we do not consider it useful to present a segmentation based on types of business (secondary segmentation).

The Financial Review contains a breakdown by customer groups (B2C and B2B). These two customer groups differ primarily with regard to the structure of their needs, while the products and services offered to both customer groups are basically identical. Thus, a segmentation based on the B2C and B2B customer groups, beyond the information contained in other parts of the present Annual Report, has not been presented.

## Segment report (IFRS)

## Income Statement by region

in k€

	Germany	Austria	Consolidation	Group
<b>Net interest income</b>				
01/01/2006-12/31/2006	36,393	7,153	-	43,546
01/01/2005-12/31/2005	35,386	5,196	-	40,582
<b>Provisions for possible losses</b>				
01/01/2006-12/31/2006	454	57	-	511
01/01/2005-12/31/2005	-122	7	-	-115
<b>Net interest income after provisions for possible losses</b>				
01/01/2006-12/31/2006	35,939	7,096	-	43,035
01/01/2005-12/31/2005	35,508	5,189	-	40,697
<b>Net commission income</b>				
01/01/2006-12/31/2006	109,139	19,451	-	128,590
01/01/2005-12/31/2005	86,347	13,777	-	100,124
<b>Trading profit/loss</b>				
01/01/2006-12/31/2006	2,845	-18	-	2,827
01/01/2005-12/31/2005	2,607	55	-	2,662
<b>Profit/loss from investments</b>				
01/01/2006-12/31/2006	-15,839	-259	-	-16,098
01/01/2005-12/31/2005	-12,369	66	-	-12,303
<b>Personnel expenses</b>				
01/01/2006-12/31/2006	31,538	6,382	-	37,920
01/01/2005-12/31/2005	32,604	4,919	-	37,523
<b>Other administrative expenses</b>				
01/01/2006-12/31/2006	72,682	10,211	-	82,893
01/01/2005-12/31/2005	62,341	8,198	-	70,539
<b>Depreciation/amortization of property, plant and equipment and other intangible assets</b>				
01/01/2006-12/31/2006	7,579	645	-	8,224
01/01/2005-12/31/2005	8,016	688	-	8,704
<b>Administrative expenses</b>				
01/01/2006-12/31/2006	111,799	17,238	-	129,037
01/01/2005-12/31/2005	102,961	13,805	-	116,766
<b>Restructuring and integration expenses</b>				
01/01/2006-12/31/2006	-	-	-	-
01/01/2005-12/31/2005	3,400	-	-	3,400
<b>Net other operating income/expenses</b>				
01/01/2006-12/31/2006	5,289	413	-	5,702
01/01/2005-12/31/2005	4,652	-127	-	4,525
<b>Net other income/expenses</b>				
01/01/2006-12/31/2006	-	-13	-	-13
01/01/2005-12/31/2005	8,365	-13	-	8,352
<b>Result before taxes</b>				
01/01/2006-12/31/2006	25,574	9,432	-	35,006
01/01/2005-12/31/2005	18,749	5,142	-	23,891

**Balance Sheet by region**

in k€

	Germany	Austria	Consolidation	Group
<b>Cash reserve and receivables from banks</b>				
12/31/2006	652,434	138,253	-	790,687
12/31/2005	384,061	43,383	-	427,444
<b>Receivables from customers, less provisions for possible losses</b>				
12/31/2006	417,350	54,309	-	471,659
12/31/2005	416,362	54,228	-	470,590
<b>Trading assets</b>				
12/31/2006	42,858	-	-	42,858
12/31/2005	39,682	-	-	39,682
<b>Liabilities to banks</b>				
12/31/2006	267,836	2,976	-	270,812
12/31/2005	98,643	3,609	-	102,252
<b>Liabilities to customers</b>				
12/31/2006	2,490,673	320,297	-	2,810,970
12/31/2005	1,936,097	219,998	-	2,156,095
<b>Trading liabilities</b>				
12/31/2006	14,557	-	-	14,557
12/31/2005	14,758	-	-	14,758

## Further particulars by region

	Germany	Austria	Group
<b>Cost-income ratio (in %)</b>			
01/01/2006-12/31/2006	81.4	64.6	78.7
01/01/2005-12/31/2005	85.0	72.9	83.4
<b>Investments in property, plant and equipment and intangible assets (in k€)</b>			
01/01/2006-12/31/2006	6,126	984	7,110
01/01/2005-12/31/2005	19,284	1,237	20,521
<b>Total book value of segment assets (in k€)</b>			
12/31/2006	3,020,972	359,235	3,361,923
12/31/2005	2,277,417	251,411	2,510,544
<b>Total book value of segment liabilities (in k€)</b>			
12/31/2006	2,850,692	333,647	3,184,339
12/31/2005	2,111,075	229,853	2,340,928
<b>Cash flow from operating activities (in k€)</b>			
01/01/2006-12/31/2006	521,594	33,600	555,194
01/01/2005-12/31/2005	325,740	38,755	364,495
<b>Cash flow from investing activities (in k€)</b>			
01/01/2006-12/31/2006	-509,212	-13,757	-522,969
01/01/2005-12/31/2005	-312,078	-30,444	-342,522
<b>Cash flow from financing activities (in k€)</b>			
01/01/2006-12/31/2006	-3,507	-469	-3,976
01/01/2005-12/31/2005	-9,427	-587	-10,014
<b>Employees (headcount)</b>			
12/31/2006	531	115	646
12/31/2005	549	102	651
<b>Trades (number)</b>			
01/01/2006-12/31/2006	10,031,342	858,722	10,890,064
01/01/2005-12/31/2005	8,954,706	540,056	9,494,762
<b>Securities accounts (number)</b>			
12/31/2006	976,256	42,263	1,018,519
12/31/2005	919,648	36,072	955,720



## Other disclosures

### ► 58 Disclosures concerning financial instruments according to IAS 32

The stated fair values of financial instruments according to IAS 32 represent the amounts at which an asset can be exchanged or a liability settled at the balance sheet date between knowledgeable, willing parties in an arm's-length transaction.

Depending on the category to which they are assigned, the financial instruments held by DAB bank are assessed at the balance sheet date either at fair value or at amortized cost. The fair values were determined at the balance sheet date with reference to available market information.

The fair values of certain financial instruments carried at amortized cost are nearly identical to their carrying amounts. This applies to the cash reserve and to the receivables and payables that do not have a definite maturity or fixed interest rate. The other receivables and payables are valued on the basis of future expected cash flows and discounted to present value by application of current interest rates. The value of exchange-traded securities and derivatives and exchange-listed debt instruments is determined on the basis of listed market prices. The fair value of forward exchange deals is determined on the basis of the currently quoted forward exchange rates.

In the case of assets, the difference between the fair values and the book values amounted to €5,192 thousand. In the case of liabilities, that same difference amounted to €5,564 thousand. The net balance of these differences is €372 thousand.

#### Financial instruments acc. to IAS 32

in k€ as of 12/31	2006		2005	
	Fair value	Carrying amount	Fair value	Carrying amount
Cash reserve	74,371	74,371	46,122	46,122
Receivables from banks	715,765	716,099	381,238	381,322
Receivables from customers (including loan loss provisions)	477,185	471,659	484,388	470,590
Trading assets	42,858	42,858	39,682	39,682
Financial assets	1,975,084	1,975,084	1,432,326	1,432,326
Other assets*	7,627	7,627	20,400	20,400
Liabilities to banks	272,019	270,812	105,236	102,252
Liabilities to customers	2,815,054	2,810,970	2,166,846	2,156,095
Trading liabilities	14,557	14,557	14,758	14,758
Subordinated capital**	20,302	20,029	10,109	10,002
Other liabilities*	2,893	2,893	4,575	4,575

\* Trade receivables or payables

\*\* In accordance with IAS 8.42, a fair value of €10,109 thousand is presented here, as compared with the prior-year value of €10,002 thousand.

### ► 59 Key regulatory ratios (based on German Commercial Code, HGB)

Pursuant to §§ 10, 10a KWG in conjunction with the bank regulatory Principle I, the core capital ratio (core capital divided by weighted risk assets) may not be less than 4% and the equity ratio (liable equity divided by weighted risk assets) may not be less than 8%. Furthermore, the so-called equity funds ratio according to § 2 Principle I, calculated as the percentage ratio of equity to the sum of the weighted risk assets and the product of 12.5 times the offset amounts for market risk positions and options, must be at least 8%.

In accordance with § 10 (6) (3) KWG, DAB bank AG submits a consolidated report for the DAB bank Group on a voluntary basis. At December 31, 2006, the liable equity capital of the DAB bank Group in the amount of €84 million consisted of core capital in the amount of €66 million and supplementary capital in the amount of €18 million. The increase in the supplementary capital resulted from the fact that DAB bank AG additionally took out a subordinated loan in the amount of €10 million from Volkswahl Bund Lebensversicherung a.G., Dortmund. The weighted risk assets amounted to €802 million. The market risk positions in the amount of €3 million consisted of a net interest position of €1 million and a net share position of €2 million.

The equity funds stated in the regulatory report, as well as the weighted risk assets and the weighted market risk positions at December 31, 2006, are presented in the table below:

#### Key regulatory ratios (based on German Commercial Code rules)

as of 12/31 in € mn	2006	2005
Risk assets	802	765
Market risk positions	3	4
Core capital	66	64
Supplementary capital	18	8
Eligible equity	84	72
Equity ratio as per Principle I German Banking Act	10.5%	9.4%
Overall ratio as per Principle I of German Banking Act	10.0%	8.8%

With an equity ratio of 10.5%, the DAB bank Group is adequately endowed with equity capital.

### ▶ 60 Significant concentrations of assets and liabilities

The assets and liabilities of the DAB bank Group do not show any significant concentrations. Detailed information on the risks of our business is presented in the Risk Report, as part of the Financial Review section.

### ▶ 61 Contingent liabilities and other obligations

in k€ as of 12/31	2006	2005
Contingent liabilities		
from guarantees and warranty agreements	454	280
Other commitments		
from rental agreements	29,706	30,403
from leasing agreements	20,499	18,768
<b>Total</b>	<b>50,659</b>	<b>49,451</b>

The terms of rental and lease agreements are customary for the market and no burdens have been shifted to future fiscal years.

The terms to maturity of the future minimum lease payments under uncancelable operating leases break down as follows:

in k€ as of 12/31	2006	2005
Maturity		
up to 1 year	6,522	6,268
more than one year to 5 years	13,977	12,500
more than 5 years	-	-
<b>Total</b>	<b>20,499</b>	<b>18,768</b>

### ► 62 Group affiliation

At December 31, 2006, UniCredito Italiano S.p.A., Genoa, Italy, indirectly held and Bayerische Hypo- und Vereinsbank AG, Munich, directly held 76.36% of the shares of DAB bank AG.

The consolidated financial statements of DAB bank AG at December 31, 2006, prepared in accordance with International Financial Reporting Standards (IFRS/EU), are deemed to be exempting financial statements according to § 315a (1) HGB in conjunction with § 291 (3) (1) (1) HGB. They are included in the consolidated financial statements of UniCredito Italiano S.p.A., Genoa, Italy, by way of the sub-group consolidated financial statements of Bayerische Hypo- und Vereinsbank AG, Munich.

### ► 63 Letter of comfort

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

### ► 64 Events after the balance sheet date

Mr. Jens Hagemann resigned from his position on the Management Board of DAB bank AG effective March 31, 2007. To succeed him, the Supervisory Board has appointed Mr. Ernst Huber, Chairman of the Management Board of the wholly-owned subsidiary direktanlage.at AG, Salzburg. Mr. Huber will assume his duties as a member of the Management Board of DAB bank AG from March 1, 2007, in addition to his duties in Austria.

### ► 65 Related party disclosures

#### Compensation paid to members of the Supervisory Board, the Management Board and the Chief Representative of DAB bank AG

in k€	Fixed component		Performance-related components		Components with a long-term incentive effect		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Management Board and Chief Representative	650	480	825	500	-	-	1,475	980
Supervisory Board	79	77	21	32	-	-	100	109
<b>Total</b>	<b>729</b>	<b>557</b>	<b>846</b>	<b>532</b>	<b>-</b>	<b>-</b>	<b>1,575</b>	<b>1,089</b>

The compensation paid to the individual members of the Supervisory Board and Management Board in 2006 is presented in the table below:

in k€	Fixed component	Performance related components	Components with a long-term incentive effect	Total
<b>Members of the Management Board and Chief Representative</b>				
Jens Hagemann	239	300	-	539
Wolfgang Strobel	170	225	-	395
Alexander von Uslar	241	300	-	541
<b>Members of the Supervisory Board</b>				
Nikolaus Barthold	12	3	-	15
Gunter Ernst	10	3	-	13
Dr. Volker Jung	12	3	-	15
Johannes Maret	12	3	-	15
Christine Novakovic (nee Licci)	4	1	-	5
Matthias Sohler	10	2	-	12
Andreas Wölfer	19	6	-	25
<b>Total</b>	<b>729</b>	<b>846</b>	<b>-</b>	<b>1,575</b>

The key members of management include all members of the Management Board, the Supervisory Board and the Chief Representative (Generalbevollmächtigte). The compensation paid in 2006 and in the comparison period consisted entirely of amounts payable on a short-term basis, which together are equivalent to the total compensation stated above. Other types of compensation within the meaning of IAS 24.16 were not provided.

At the balance sheet date, there were no receivables or loans and advances or contingent liabilities due from members of the Management Board, the Supervisory Board or the Chief Representative. The members of the Supervisory Board did not receive any compensation in 2006 for services rendered personally.

In 2006, the company maintained business relationships with the following companies included in the consolidated financial statements of the ultimate parent company UniCredito Italiano S.p.A.:

- ▶ Pioneer Investmentgesellschaft mbH, Munich
- ▶ Pioneer 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 Information Services GmbH, Munich
- ▶ HVB Payments & Services GmbH, Aschheim/Dornach
- ▶ HVB Wealth Management Holding GmbH, Munich
- ▶ INDEXCHANGE Investment AG, Munich
- ▶ Nordinvest Norddeutsche Investment-Gesellschaft mbH, Hamburg
- ▶ Schoellerbank Aktiengesellschaft, Vienna

Significant business relationships with affiliated companies are presented in the table below:

in k€	Expenses		Income	
	2006	2005	2006	2005
<b>Companies included in the UniCredito Italiano Group S.p.A. with significant influence:</b>				
Bayerische Hypo- und Vereinsbank AG	683	2,070	8,117	5,593
<b>Companies included in the UniCredito Italiano Group S.p.A. with significant influence:</b>				
Pioneer Investments Kapitalanlagegesellschaft mbH	-	-	1,494	1,336
Financial Markets Service Bank GmbH	1,650	2,030	-	2
Pioneer Asset Management	422	1,740	-	-
Nordinvest Norddeutsche Investment-Gesellschaft mbH	-	-	640	777

in k€ as of 12/31	Receivables		Payables	
	2006	2005	2006	2005
<b>Companies included in the UniCredito Italiano Group S.p.A. with significant influence:</b>				
Bayerische Hypo- und Vereinsbank AG	313,100	282,688	142,657	18,205
<b>Companies included in the UniCredito Italiano Group S.p.A. with significant influence:</b>				
Pioneer Investments Kapitalanlagegesellschaft mbH	641	452	-	-
Financial Markets Service Bank GmbH	-	-	-	20
Pioneer Asset Management	-	-	-	-
Nordinvest Norddeutsche Investment-Gesellschaft mbH	336	292	-	-

All transactions, including the delivery and receipt of banking-related and non-banking-related goods and services, as well as the delivery and receipt of IT and outsourcing services, were conducted at customary market terms.

## ▶ 66 Employees

	2006	2005
<b>Average number of employees</b>		
Total number of employees (headcount)	652	646

▶ 67 Members of the Supervisory Board, Management Board and the Chief Representative

**Members of the Supervisory Board of DAB bank AG:**

**Christine Novakovic** (nee Licci) (Chairwoman until March 9, 2006),  
Person of independent means

**Andreas Wölfer** (Vice Chairman from January 1, 2006 to March 13, 2006,  
Chairman since March 13, 2006)  
Management Board of Bayerische Hypo- und Vereinsbank AG, Munich  
Wealth Management (Private Clients, Family Office)

At December 31, 2006, Mr. Andreas Wölfer also served on the following other, legally prescribed Supervisory Boards of German companies:

▶ Nordinvest Norddeutsche Investment Gesellschaft mbH, Hamburg, Vice Chairman\*)

At December 31, 2006, Mr. Andreas Wölfer also served on the following other, comparable oversight boards of German and foreign companies:

- ▶ HVB Capital Management Inc., New York, Chairman of the Supervisory Board\*)
- ▶ HVB Banque Luxembourg Societé Anonyme, Luxembourg, Vice Chairman of the Board of Directors
- ▶ Asset Management GmbH, Vienna, member of the Supervisory Board\*)

**Matthias Sohler** (Vice Chairman since May 11, 2006)  
Management Board of Bayerische Hypo- und Vereinsbank AG, Munich,  
Operating Officer (Global Banking Services, IT)

Mr. Matthias Sohler also serves on the following other, legally prescribed Supervisory Boards of German companies:

- ▶ Financial Markets Service Bank GmbH, Munich, Chairman of the Supervisory Board \*)
- ▶ HVB Information Service GmbH, Munich, Chairman of the Supervisory Board \*)
- ▶ HVB Immobilien AG, Munich, Vice Chairman of the Supervisory Board \*)

At December 31, 2006, Mr. Matthias Sohler was also a member of the following other, comparable oversight boards of German and foreign companies:

▶ HVB Secur GmbH, Munich, Chairman of the Board of Directors \*)

Mr. Matthias Sohler does not serve on any other legally, comparable oversight boards of German and foreign companies.

**Nikolaus Barthold** (Chairman of the Works Council since 04/11/2006)  
Senior Manager, Customer Interaction Center, DAB bank AG, Munich

At December 31, 2006, Mr. Nikolaus Barthold did not serve on any legally prescribed Supervisory Boards of German companies and was not a member of any other, comparable oversight boards of German and foreign companies.

**Gunter Ernst**

Person of independent means

At December 31, 2006, Mr. Gunter Ernst also served on the following other, legally prescribed Supervisory Boards of German companies:

- ▶ Gütermann AG, Gutach, Vice Chairman
- ▶ Schwäbische Bank AG, Stuttgart
- ▶ Wüstenrot & Württembergische AG, Stuttgart

At December 31, 2006, Mr. Gunter Ernst did not serve on any other, comparable oversight boards of German and foreign companies.

**Dr. Eng. h.c. Volker Jung**

Person of independent means

At December 31, 2006, Dr. Eng.h.c. Volker Jung also served on the following other, legally prescribed Supervisory Boards of German companies:

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

At December 31, 2006, Dr. Eng.h.c. Volker Jung did not serve on any other, comparable oversight boards of German and foreign companies.

**Johannes Maret**

Person of independent means

At December 31, 2006, Mr. Johannes Maret also served on the following other, legally prescribed Supervisory Boards of German companies:

- ▶ MLP AG, Heidelberg

At December 31, 2006, Mr. Johannes Maret also served on the following other, comparable oversight boards of German 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

\*) Group offices of UniCredito Italiano S.p.A., Genoa, Italy

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

Responsible for Sales, Controlling, Operations and Trading/Treasury

In addition, he held the following other offices at December 31, 2006:

Member of the Supervisory Board:

- ▶ direktanlage.at AG, Salzburg, Chairman\*)
- ▶ SRQ Finanzpartner AG, Berlin

**Alexander von Uslar**

Responsible for Finance and Legal, Human Resources and Communication, Internal Audit and Compliance

In addition, he held the following other offices at December 31, 2006:

Member of the Supervisory Board:

- ▶ direktanlage.at AG, Salzburg \*)
- ▶ Community Concepts AG i.L., Munich, Vice Chairman\*)
- ▶ SRQ Finanzpartner AG, Berlin

\*) Group offices of UniCredito Italiano S.p.A., Genoa, Italy



**Chief Representative of DAB bank AG:****Wolfgang Strobel**

Responsible for IT, Outsourcing, Securities-Back Office and Credit Department

He did not hold any other offices at December 31, 2006.

▶ **68 Changes in the Management Board and Supervisory Board****Management Board:**

There were no changes in the Management Board in 2006.

**Supervisory Board:**

Christine Novakovic resigned from her post as the Chairwoman of the Supervisory Board and from her seat on the Supervisory Board of DAB bank AG effective May 9, 2006. At the annual shareholders' meeting of DAB bank AG on May 11, 2006, Matthias Sohler was elected to the Supervisory Board for the remaining term of office of Christine Novakovic. The Supervisory Board elected Matthias Sohler to be the Vice Chairman of the Supervisory Board of DAB bank AG on May 11, 2006.

▶ **69 Shareholdings of members of the Management Board, Supervisory Board and Chief Representative**

as of 12/31/2006	Shares	Options
<b>Members of the Management Board and Chief Representative</b>		
Jens Hagemann	-	-
Wolfgang Strobel	-	-
Alexander von Uslar	-	-
<b>Members of the Supervisory Board</b>		
Nikolaus Barthold	3,500	-
Gunter Ernst	-	-
Dr. Volker Jung	-	-
Johannes Maret	-	-
Matthias Sohler	1,891	-
Andreas Wölfer	-	-
<b>Treasury stock</b>	-	-

▶ **70 Share purchases and sales**

No purchases or sales of DAB bank shares or derivatives of DAB bank shares were effected by members of the Supervisory Board or Management Board or by the Chief Representative in 2006.

▶ 71 Relationships between the independent auditor and  
DAB bank AG

in k€	2006	2005
<b>Fees paid for:</b>		
The audit	335	317
Other certification and valuation services	186	-
<b>Total</b>	<b>521</b>	<b>317</b>

▶ 72 Timing of release for publication

The present consolidated financial statements will be submitted to the Supervisory Board for adoption and approval on March 12, 2007.

Munich, February 19, 2007

DAB bank AG

Jens Hagemann  
Management Board member

Alexander von Uslar  
Management Board member

## Audit Opinion

We have audited the consolidated financial statements prepared by DAB bank AG, Munich, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, together with the consolidated financial review for the fiscal year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the consolidated financial review in accordance with IFRS, as adopted by the European Union, and the additional requirements of German commercial law pursuant to § 315a (1) HGB [“Handelsgesetzbuch“ German Commercial Code], are the responsibility of the company’s management. Our responsibility is to express an opinion of the consolidated financial statements and the consolidated financial review based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for auditing of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the consolidated financial review are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and the 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 consolidated financial review 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 the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the consolidated financial review. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the European Union, the additional requirements of German commercial law pursuant to § 315a (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 consolidated financial review 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 risk relating to future development.

Munich, February 22, 2007

Ernst & Young AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Müller-Tronnier  
Independent Auditor

Bauer  
Independent Auditor

## Quarterly Summary of consolidated income statements (IFRS)

	4th quarter	1st quarter	2nd quarter	3th quarter	4th quarter
in k€	2005	2006	2006	2006	2006
Interest income	18,497	21,073	26,956	26,426	26,266
Interest expenses	9,222	11,880	13,498	15,167	16,630
<b>Net interest income</b>	<b>9,275</b>	<b>9,193</b>	<b>13,458</b>	<b>11,259</b>	<b>9,636</b>
Provisions for possible losses	-227	85	-120	300	246
<b>Net interest income after provisions for possible losses</b>	<b>9,502</b>	<b>9,108</b>	<b>13,578</b>	<b>10,959</b>	<b>9,390</b>
Commission income	55,155	54,395	55,173	52,822	65,848
Commission expenses	23,567	17,521	21,139	27,212	33,776
<b>Net commission income</b>	<b>31,588</b>	<b>36,874</b>	<b>34,034</b>	<b>25,610</b>	<b>32,072</b>
<b>Trading profit</b>	<b>1,195</b>	<b>1,379</b>	<b>45</b>	<b>481</b>	<b>922</b>
<b>Profit/loss from investments</b>	<b>-5,013</b>	<b>-6,351</b>	<b>-8,159</b>	<b>-680</b>	<b>-908</b>
Personnel expenses	10,146	8,808	8,973	9,082	11,057
Other administrative expenses	18,737	20,570	21,893	18,238	22,192
Depreciation/amortization of property, plant and equipment and intangible assets	-473	2,245	1,857	2,498	1,624
<b>Administrative expenses</b>	<b>28,410</b>	<b>31,623</b>	<b>32,723</b>	<b>29,818</b>	<b>34,873</b>
<b>Net other operating income/expenses</b>	<b>-1,184</b>	<b>1,734</b>	<b>1,428</b>	<b>580</b>	<b>1,960</b>
<b>Net other income/expenses</b>	<b>381</b>	<b>-</b>	<b>-12</b>	<b>-</b>	<b>-1</b>
<b>Result before taxes</b>	<b>8,059</b>	<b>11,121</b>	<b>8,191</b>	<b>7,132</b>	<b>8,562</b>
Income taxes	1,323	3,998	2,868	2,798	3,371
<b>Net profit/loss</b>	<b>6,736</b>	<b>7,123</b>	<b>5,323</b>	<b>4,334</b>	<b>5,191</b>
Allocation of net profit/loss to retained earnings	5,734	-	-	-	167
<b>Consolidated unappropriated net profit</b>	<b>1,002</b>	<b>7,123</b>	<b>5,323</b>	<b>4,334</b>	<b>5,024</b>

in k€	2002*	2003	2004	2005**	2006
Interest income	76,386	71,246	75,401	76,871	100,721
Interest expenses	44,003	28,797	30,324	36,289	57,175
<b>Net interest income</b>	<b>32,383</b>	<b>42,449</b>	<b>45,077</b>	<b>40,582</b>	<b>43,546</b>
Provisions for possible losses	2,302	618	-1,137	-115	511
<b>Net interest income after provisions for possible losses</b>	<b>30,081</b>	<b>41,831</b>	<b>46,214</b>	<b>40,697</b>	<b>43,035</b>
Commission income	76,938	92,049	98,221	156,650	228,238
Commission expenses	21,888	22,740	26,403	56,526	99,648
<b>Net commission income</b>	<b>55,050</b>	<b>69,309</b>	<b>71,818</b>	<b>100,124</b>	<b>128,590</b>
<b>Trading profit</b>	<b>-2,302</b>	<b>487</b>	<b>1,288</b>	<b>2,662</b>	<b>2,827</b>
<b>Profit/loss from investments</b>	<b>-6,712</b>	<b>-11,576</b>	<b>-12,748</b>	<b>-12,303</b>	<b>-16,098</b>
Personnel expenses	35,824	29,120	29,658	37,523	37,920
Other administrative expenses	89,236	57,640	59,174	70,539	82,893
Depreciation/amortization of property, plant and equipment and intangible assets	16,416	7,722	7,298	8,562	8,224
<b>Administrative expenses</b>	<b>141,476</b>	<b>94,482</b>	<b>96,130</b>	<b>116,624</b>	<b>129,037</b>
<b>Restructuring and integration expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,400</b>	<b>-</b>
<b>Net other operating income/expenses</b>	<b>7,361</b>	<b>9,272</b>	<b>7,157</b>	<b>4,525</b>	<b>5,702</b>
<b>Amortization (and impairment) of goodwill</b>	<b>681</b>	<b>1,472</b>	<b>1,472</b>	<b>-</b>	<b>-</b>
<b>Net other income/expenses</b>	<b>-3</b>	<b>-12</b>	<b>-12</b>	<b>8,352</b>	<b>-13</b>
<b>Result before taxes</b>	<b>-58,682</b>	<b>13,357</b>	<b>16,115</b>	<b>24,033</b>	<b>35,006</b>
Income taxes	11,799	585	-8,634	4,765	13,035
<b>Net profit/loss</b>	<b>-70,481</b>	<b>12,772</b>	<b>24,749</b>	<b>19,268</b>	<b>21,971</b>
Allocation of net profit/loss to retained earnings	-	-	13,471	5,734	167
<b>Consolidated unappropriated net profit/loss</b>	<b>-70,481</b>	<b>12,772</b>	<b>11,278</b>	<b>13,534</b>	<b>21,804</b>

## Five-year summary of consolidated income statements (IFRS)

\* The figures for 2002 are pro forma consolidated numbers, referring to DAB bank AG, direktanlage.at AG and the Special Fund DIRFONDS. DIRFONDS was merged into DAB bank AG effective January 1, 2004.

\*\* The figures of FondsServiceBank were consolidated into DAB bank Group for the first time as of January 1, 2005.

## Five-year summary of key figures of the DAB bank Group per IFRS

in k€		2002*	2003	2004	2005**	2006
<b>Operating results</b>						
Net commission income	k€	55,050	69,309	71,818	100,124	128,590
Net financial income	k€	23,369	31,360	33,617	30,941	30,275
Administrative expenses	k€	141,476	94,482	96,130	116,766	129,037
Result before taxes	k€	-58,682	13,357	16,115	23,891	35,006
Net profit	k€	-70,481	12,772	24,749	19,268	21,971
Value-added	k€	-22,855	42,489	45,785	61,427	72,939
Cost-income ratio	in %	169,5	86,4	84,5	83,4	78,7
Return on equity before taxes	in %	-23,5	10,3	10,8	14,4	20,2
<b>Balance sheet</b>						
Total assets	€ mn	2,141,9	2,043,0	2,168,5	2,510,5	3,361,9
Equity	€ mn	122,0	136,5	162,2	169,6	177,6
Overall ratio Principle I (German Banking Act)	in %	16,2	17,9	13,5	8,8	10,0
<b>Share</b>						
Earnings per share	€	-0,94	0,17	0,33	0,26	0,29
Dividend per bearer share	€	-	-	0,15	0,18	0,29
Year-end closing price (Xetra)	€	2,36	6,16	5,50	6,80	7,00
Book value per share	€	1,34	1,55	1,92	2,01	2,12
Dividend yield	in %	-	-	2,7	2,6	4,1
Total shareholder return	in %	-81,2	162,1	-7,4	26,4	7,8
Market capitalization	€ mn	177,4	463,2	413,5	511,3	526,3
<b>Key operational indicators</b>						
Securities accounts	number	460,714	461,629	473,796	955,720	1,018,519
Volume of customer assets in securities accounts and deposits	€ bn	9,38	11,88	13,90	24,98	29,63
Trades executed	number	3,407,655	3,227,877	3,218,905	9,494,762	10,890,064
Trades executed per securities account per year	number	7,83	7,00	6,88	10,47	11,03
<b>Employees</b>						
Employees (head count)	number	639	541	539	675	646
Employees (full-time)	number	562	460	470	598	580

\* The figures for 2002 are pro forma consolidated numbers, referring to DAB bank AG, direktanlage.at AG and the Special Fund DIRFONDS. DIRFONDS was merged into DAB bank AG effective January 1, 2004.

\*\* The figures of FondsServiceBank are included in the consolidated financial statements of the DAB bank Group as of January 1, 2005.

For the years up to and including 2003, the overall Principle I ratio (as per the German Banking Act, KWG) refers only to DAB Bank AG; for 2004 and the subsequent years, it refers to the DAB bank Group.

All key ratios were calculated in conformity with the recognition, valuation and presentation methods applied in preparing the consolidated financial statements for 2006.

## Glossary

**Asset management:**

(Fiduciary) management of assets for clients.

**Assets:**

Assets refer to all items on the assets side of the balance sheet.

**Basel II:**

Under the new Basel II standards, the capital adequacy requirements are less generalized and more oriented to the specific risks of the bank in question. Thus, they are determined with reference to the credit ratings (internal or external) of the bank's borrowers. The Basel II requirements also place a greater emphasis on the security furnished by borrowers, which is differentiated to a greater degree than before. Also, banks will have to reserve capital to cover their operational risks as well. The Basel II capital adequacy rules are the regulatory standards that are to succeed the Basel I capital adequacy rules introduced in 1988.

**B2B (business to business):**

The B2B business of DAB bank comprises its business with asset managers, fund brokers and financial intermediaries, and their clients. The services offered by FondsServiceBank also fall within the B2B segment.

**B2C (business to consumer):**

The B2C business of DAB bank comprises its business with individual investors.

**Certificate:**

A certificate can refer to an investment certificate (also known as fund share), evidencing ownership of shares of an investment fund, or to an index certificate, evidencing ownership of a share in a portfolio or index. The value of the certificate is based on the value of the securities which are held by the investment fund or which represent the underlying instrument for the portfolio or index.

**BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht):**

The German Federal Financial Services Supervisory Authority.

**Bond:**

General term for all debt instruments with definite (fixed or variable) rates of interest and generally having a fixed (typically longer-term) maturity and a contractually specified repayment schedule. Companies issue bonds to raise long-term debt financing.

**Bond fund:**

A bond fund is an investment fund that invests exclusively or predominantly in fixed-income securities.

**Cash flow:**

Cash flow is an indicator that provides insight into the financing capacity of a company.

**Corporate governance:**

The term corporate governance refers to the legal and factual framework of rules and standards applicable to the management and supervision of commercial enterprises. By enhancing transparency, corporate governance rules serve to strengthen trust and confidence that a given company is being managed responsibly, in a manner likely to preserve and create value over time.

**Cost-income ratio:**

At DAB bank, the cost-income ratio is defined as the ratio of administrative expenses to the sum of net interest income after credit risk provisions, the net commission income, the trading profit or loss, the profit or loss from investments, the net other operating income and expenses and the net other income and expenses. A low cost-income ratio is indicative of high productivity.

**DAB Sekunden-Handel:**

This is the name of DAB bank's OTC trading platform, on which customers can buy and sell securities directly from or to the issuers. Among its many advantages, prices are quoted in real time and investors can trade at many times when the official stock exchanges are not open. The DAB Sekundenhandel platform is open for trading weekdays from 8:00 a.m. to 11:00 p.m., Saturdays from 10:00 a.m. to 1:00 p.m. and Sundays from 5:00 p.m. to 7:00 p.m. Also, investors do not incur stock exchange fees, such as the broker's commission, when they trade on the DAB Sekundenhandel platform.

**Default risk:**

Possible losses in value resulting from the default or credit quality deterioration of customers.

**Derivative:**

A derivative is a financial product, the price of which is tied to the price of an underlying financial instrument (shares, bonds, currencies, indexes). Certificates and warrants are examples of derivatives.

**Derivative financial instruments:**

These instruments enable one party (the risk seller or guarantee) to transfer the credit risk of a receivable or security to another party (risk buyer or guarantor) in exchange for the payment of a premium. Thus, the risk buyer bears the credit risk of the receivable or security without actually having to buy it.

**Discount:**

Difference between the repayment amount and the lower issue price or between the listed stock exchange price and the face value of a given security. German law forbids issuing equity shares at a discount to par value, but this practice is common for fixed-income securities.

**Dividend:**

The distribution of a stock corporation's profit to its shareholders on the basis of the shares held. The total dividend payout is not necessarily equal to the company's profit for the year, because that profit may first be reduced by appropriations to various capital reserves (legally mandated in some cases). The shareholders present and represented at the annual meeting vote on the amount of the dividend and the mode of distribution.

**Dividend yield:**

The percentage ratio of the dividend amount to the share price at a given date. It expresses the rate of return per share on the money invested in a given company.

**Effective yield:**

The actual return on an investment, after deduction of incidental expenses such as fees, etc. The effective yield is determined also by the purchase price, the interest income and the issue premium or discount.

**Equity:**

According to the definition of Section 10 (2) (1) of the German Banking Act (KWG), equity is composed of liable equity (as per Section 10 (2) (2) KWG) and supplementary capital, which is defined, according to Section 10 (2c) KWG, as the pro rated profit that would result if the company would square all its trading book positions, plus the short-term subordinated liabilities defined in accordance with Section 10 (7) KWG (including bearer bonds, among other things).

**Equity ratio:**

The ratio of a company's equity to its total assets.

**Fair value:**

Amount at which a financial instrument can be traded between knowledgeable, willing partners in an arm's-length transaction.

**Financial intermediaries:**

This term refers to asset managers licensed to operate as such by the German Federal Financial Services Supervisory Authority (BaFin), as well as investment fund brokers and institutional investors.

**Free float:**

The percentage of a company's stock that is traded freely on the stock exchange, as opposed to being held by large-block shareholders with a majority interest.

**Frequent trader discount:**

DAB bank grants a 30% discount on the basic fee for all trades after the first 100 eligible trades in a given calendar half year.

**Goodwill:**

An intangible asset signifying a competitive advantage.

**Hedging:**

Hedging refers to the purchase or sale of derivative financial instruments (futures, options, swaps) for the purpose of protecting the value of existing securities or currency positions against negative market price developments by taking on a second, compensatory risk.



**Income that does not depend on customers' trading activity:**

At DAB bank, such income is composed of the net financial income or expenses, plus the following components of the net commission income: portfolio commissions, account maintenance fees, money transfer fees, internally generated sales revenue and foreign exchange income or expenses.

**International Financial Reporting Standards (IFRS):**

These standards are published by the International Accounting Standards Board (IASB), an international organization supported by national accountancy associations. The purpose of this organization is to promote transparent, comparable financial reporting on an international basis.

**Investment fund:**

The assets of an investment fund are managed by an investment company. The investors receive share certificates in evidence of their part ownership of the fund assets. In most cases, the income of an investment fund, deriving from capital gains, dividends, interest, etc., is distributed to the shareholders. Some investment funds reinvest their income, leading to an increase in the value of the fund's shares.

**Investor Relations (IR):**

The purpose of investor relations is to disseminate information to interested persons in the capital markets, including shareholders and stock analysts, on the subject of a company's business strategy, financial performance and key value drivers.

**Initial Public Offering (IPO):**

This term refers to the administrative process by which a company offers its stock for sale to the public in the primary market for the first time. An IPO typically entails the necessity of attaining a listing on an organized stock exchange.

**Issue premium:**

The amount by which the issue price exceeds the nominal value of securities being issued for the first time; or the amount by which the stock market price exceeds the intrinsic value. Also, the sales load that investors pay to purchase shares in most investment funds is sometimes called the issue premium.

**Lowest-price guarantee:**

The lowest-price guarantee of DAB bank gives its customers the peace of mind of knowing that they can purchase the 30 bestselling investment funds in Germany at the guaranteed lowest price. If any customer is able to purchase one of these funds at a lower price somewhere else, DAB bank will pay that investor the difference.

**Mark-to-market:**

This term refers to the practice of writing down the carrying amount of financial instruments to their lower market value.

Market capitalization: This indicator is calculated as the number of common shares outstanding multiplied by the market price of each share.

**Market risk position:**

Within the meaning of the Principle I liquidity ratio used by bank regulators in Germany, market risk positions comprise foreign currency and option risks, the risk positions of the trading book (including risks related to interest rates and stock prices) and the default risks of the trading book.

**MiFID:**

This acronym stands for the European Union Directive "Markets in Financial Instruments Directive," which will take effect in 2007. The goals of this directive are to improve investor protection, promote greater competition and harmonize the European financial markets.

**Net financial income:**

At DAB bank, the net financial income is defined as the sum of the net interest income before credit risk provisions, the trading profit or loss and the profit or loss from investments.

**Operational risk:**

The possibility of losses resulting from defective internal processes, human error, technological failure or external events.

**Portfolio:**

In connection with securities, the term portfolio refers to the entirety of securities held by a company or individual.

**Portfolio commission:**

The remuneration (typically annual) paid by the investment company to the fund broker.

**Price-earnings ratio (PER):**

This indicator, which is used in the evaluation of stocks, is calculated as the share price divided by the earnings per share, which are derived in turn from the company's profit for the year. The higher the PER, the more expensive a stock is.

**Prime Standard:**

Segment of the Frankfurt Stock Exchange established on January 1, 2003. The Prime Standard segment is geared to companies that wish to sell their securities to international investors. Such companies must satisfy stringent, international standards of corporate transparency that go beyond the requirements of the General Standard segment. DAB bank fulfills the standards of the Prime Standard segment.

**Rating:**

Evaluation of the credit quality of a financial instrument (issue rating) or debtor (issuer rating) by independent rating agencies.

**Return on equity:**

The ratio of earnings before taxes to the average equity during a given period. It expresses the rate of return on the capital provided by the company or its shareholders.

**Risk assets:**

In order to adequately reflect, for regulatory purposes, the default risks of the investment book resulting from the differing credit quality of issuers or business partners, the risk assets are calculated as the sum of balance sheet assets, off-balance sheet transactions (guaranties for balance sheet assets) and futures, swaps and options, weighted by the application of factors deriving from the credit rating of the issuer or business partner in question. According to the Principle I rules, liable capital must be committed to cover 8% of these risk-adjusted assets. (With regard to trading book risks, see the entry for market risk position).

**Risk controlling:**

Ongoing measurement and monitoring of risks, including the development of suitable methods, as well as risk analysis and reporting, by a neutral, process-independent organizational unit.

**Risk management:**

This term refers to the operational management of specific portfolios, based on risk-return considerations.

**Sales load:**

Difference between the issue price and the value of an investment fund share, paid by the investor. The sales load is typically applied to cover the selling expenses of the investment company. Expressed as a percentage of the share value, the sales load is charged either on the redemption (back-end load) or purchase (front-end load) of shares in the investment fund. The amount of the sales load depends primarily on the type of investment fund and the focus of its investment activity.

**Savings plan:**

Investors make regular, fixed contributions to a savings plan, which are used to purchase shares in an investment instrument. The amount and periodicity of contributions can be arranged on a flexible basis.

**Security:**

General term comprising bearer shares, registered shares, instruments payable to order, participation certificates and bonds. The security evidences the investor's right of ownership or claim.

**Securities issue:**

Securities are issued either directly by the issuing company or through a bank. Companies issue securities in order to raise capital.

**Share capital:**

The share capital is the capital stock of a stock corporation, issued in the form of certificated shares.

**Share certificate:**

A share certificate (also known as investment certificate) evidences the share of an investment fund held by an investor. The value of the share certificate depends on the value of the securities held by the fund.

**Shareholder value:**

The value of a company for its shareholders. Shareholders participate in value creation through share price appreciation, dividend payments, stock buy-backs, etc.

**Straight Forward Dealings (SFDs):**

An innovative investment instrument, similar to a warrant, which is linked to the performance of the individual stocks included in the DAX 30 stock index. The implicit lever (typically a factor of 5) of this product creates the potential for high profits. By means of taking short positions, investors can also profit in bear markets. The maximum risk of loss is limited to the capital invested. Also, there is no minimum investment or trading restrictions. SFDs are designed for opportunistic investors.

**Star Partner:**

Thanks to its cooperation agreements with the prestigious investment firms named as its Star Partners, DAB bank can offer its customers special products under special terms. For example, investors receive a discount of at least 50% on the sales load for the investment funds. And at DAB bank, investors pay a flat fee of only 6.95 euros per order for the warrants and certificates.

**Stock index:**

A stock index is an indicator of the performance of all the stocks in a given stock market and/or group of stocks (example: DAX30). Stock indexes are a useful indicator of the general stock market trends. They are typically calculated as the weighted average share price of the various stock corporations included in the index. Stock indexes can refer either to stock prices or performance.

**Time deposit:**

Bank deposit with a fixed term and interest rate.

**Unappropriated net profit:**

The unappropriated net profit of a stock corporation is the final line of the profit appropriation statement according to German commercial law. It begins with the net profit, to which is added or from which is deducted any profit or loss carried over from the previous year, profit withdrawals or appropriations to reserves, and/or dividend distributions.

**Value driver:**

Business unit that makes a particularly strong contribution to creating value for the company.

**Volatility:**

Range of fluctuation of security prices, foreign exchange rates, commodity prices, interest rates or even investment fund shares over a certain period of time.

**Warrants:**

Warrants are a type of derivative financial instrument. They entitle the holder to buy (call warrant) or sell (put warrant) securities or currency amounts at predetermined prices and terms, or to receive a cash settlement instead.

**Wertpapierhandelsgesetz (WpHG):**

German Securities Trading Act.

**Xetra (Exchange Electronic Trading):**

The electronic trading system of Deutsche Börse AG, which is offered in addition to the standard floor trading. The prices are not set by floor traders, but are calculated automatically through the matching of purchase and sale orders.

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Wolfgang Strobel

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